

Fear of War Softens Europe's Pro-U.K. Mood

By Richard Eder

New York Times Service

PARIS — For the rest of Europe, the rationale for the gradual progress of the British fleet toward the Falkland Islands has also been similar to the rationale for a nuclear deterrent: the point was not to use it.

In the days after the Argentine landing on April 2, Britain's European partners gave unqualified support to its vigorous reaction. Now that the fleet has arrived and seems about to go into action, the mood has changed. Britain's allies still support it publicly, and officially the latest backing was registered Tuesday at a European Economic Community meeting in Luxembourg.

A cartoon in Thursday's *Le Monde* newspaper expressed it. A caricature of Alexander M. Haig Jr., the U.S. secretary of state, has moved his negotiating table to the bottom of the sea, and gloomily waits for the Argentine and British

ships above him to destroy each other and sink to talking level. Britain was right, the West German *Süddeutsche Zeitung* said Wednesday, but this did not remove the fact that an absurdity was turning into a tragedy. "If London does not want to gamble away international good will," the newspaper continued, "it can seek only a peaceful solution — with the aid of the United States, the Europeans or the UN."

At the meeting in Luxembourg, Belgium's foreign minister, Leo Tindemans, announced that the EEC continued to support Britain. But he also stressed the need to find a diplomatic solution. The substance of Mr. Tindemans' words was no different, technically, from what the British are saying, but the emphasis was shaded.

The Italian foreign minister, Emilio Colombo, supporting this emphasis, noted the fact that in a difficult position if British troops were used against Argen-

tines, many of whom are of Italian descent. Italian Foreign Ministry sources said that Italy would continue to hope "until the last minute that mediation will succeed," but they would not speculate on what the position would be if matters deteriorated.

The French government has not budged from its initial, unequivocal support for firm British action. Neither has the West German government, officially. But German officials say that military escalation would cause them to reconsider the situation.

West Germany is Argentina's biggest trade partner in Europe, and a principal supplier of weapons. Not long ago, the West German government stopped calling the disputed territory the Falklands and began referring to it as the Falkland-Malvinas. Although this was officially explained as a measure to match UN terminology, officials did not hide the fact

that it was intended as a gesture to the Argentines.

If there has been a slight drop in the level of initial support, there are a number of reasons for it. Originally, there was the fact that Britain was an ally and that Argentina was politically and geographically remote from most of the European nations. The fact that, whatever the respective historical claims, Argentina was the aggressor, counted as well.

In the case of the French, there was the additional reflection that if small bits of former empire are to be seized by Third World countries because of geographical proximity, France has a rock or two of her own that could be at issue. The notion that a member of the Western alliance, demoralized by internal wrangling and economic crisis, could muster its forces to respond to an attack was seen as an encouraging example, as well.

Unreality of War

However, all this support depended to some degree on the apparent unreality of any serious chance of war. Britain's martial mobilization was seen as a means of compelling negotiations, not of replacing them.

There is no sense among Britain's European allies of just what actual fighting will accomplish. European newspapers are reporting the growth of intransigence in Argentina, and of a popular mood that clearly threatens the military government if it does not stand fast.

The sense of unhappy choices has not totally replaced the tendency to stress the ludicrous nature of the confrontation. "A war between invalids," the French business newspaper *Les Echos* called it, referring to the economic feebleness out of which both sides were constructing their warfare.

But the comments have grown steadily grimmer. "It is easy to start a war," *Le Monde* said earlier this week. "It is much harder to stop it. Especially when emotional and irrational factors are involved in the quarrel, which is plainly the case in the dialogue of the deaf now going on between Great Britain and Argentina."

Assembly Condemns Argentina

STRASBOURG, France (UPI) — The 21-nation Parliamentary Assembly of the Council of Europe on Thursday condemned Argentina's seizure of the Falkland Islands as "a violation of the basic principles of international law" and demanded a prompt evacuation of the islands.

The assembly also expressed sympathy for the occupied population and denounced Argentina as "a military dictatorship where human rights are flouted and basic liberties are nonexistent."

The house rejected Spanish delegates' amendments trying to soften the pro-British tenor of the resolution. The Spanish delegates abstained in the final vote.



The first internees released from Warsaw's Bialoleka Prison collecting documents Thursday.

Warsaw Begins Freeing Detainees As Part of Martial-Law Relaxation

From Agency Dispatches

WARSAW — Authorities began freeing 1,000 internees Thursday in the largest easing of martial-law restrictions since the December crackdown.

At Warsaw's Bialoleka prison, where nearly 200 internees were held, 35 Solidarity members, some wearing red and white union badges, boarded regular city buses for their trip home after four and a half months of internment.

They were among 800 internees to be freed and 200 placed on parole by the ruling Military Council, which also announced lifting of the 11 p.m.-to-5 a.m. curfew and other concessions Wednesday night.

According to a clandestine statement circulated in Warsaw on Thursday, four fugitive leaders of Solidarity have united to lead a struggle against the martial-law system while Lech Walesa, the head of the union, is jailed.

They called for a token nationwide 15-minute work stoppage May 13 to mark five months of martial law. The four unionists met secretly April 22 and formed a temporary coordinating committee, the Solidarity statement said.

Zbigniew Bujak of Warsaw province, Wladyslaw Frasyniuk of Wroclaw, Wladyslaw Harel of Krakow and Bogdan Lis of Gdansk will lead Solidarity until Mr. Walesa is freed, it said.

Among those released Thursday was Zbigniew Knap, a member of the Warsaw Solidarity board. He said, "I was just taking a walk when an officer called me by

name. He led me to a barracks and said, 'You will be free in a couple of minutes.'"

One internee said, "We just were told that we are released. We got our belongings and goodbye."

Another said, "Now we will fight for restoration of our union, for lifting of the suspension of our union."

The authorities announced Wednesday the release of the Rural Solidarity leader, Jan Kulaj. But no mention was made of Mr. Walesa, who has been held since the crackdown Dec. 13, which followed 16 months of union challenges to the Communist Party.

In Gdansk, Mr. Walesa's wife, Danuta, said she had not expected her husband's release but hoped he might get a brief furlough to come home.

The Warsaw government said it was easing restrictions "because of the further stabilization of the situation in the country." The curfew will end Sunday, the announcement said, but provincial governments are authorized to reimpose it.

Permits will no longer be required for tourist excursions organized by factories and institutions, for courses, conferences and training meetings organized by social groups, or for gatherings and assemblies organized by approved government committees, the announcement said.

People making domestic phone calls will no longer have to place

them through operators. The ban on visas for representatives of industrial firms and foreign trade and diplomatic missions will also end.

However, communiques from the Military Council and the Interior Ministry made clear that arrests and detentions were not over.

The Interior Ministry said, "Interment can be applied throughout the duration of martial law. Decisions on interment will be made also with respect to persons who, after their release from isolation centers, do not take the opportunity to return to normal life and resume illegal activity."

There was speculation in Warsaw that the government eased the restrictions in exchange for the postponement of Pope John Paul II's August trip to Poland. The pope's 1979 visit to Poland touched off an outburst of nationalist and religious fervor that created a climate favorable to the birth of the independent labor movement and its demands for liberalization.

Archbishop Jozef Glemp, Poland's Roman Catholic primate, met with Premier Wojciech Jaruzelski, the Communist Party chief, on Sunday before the archbishop went to Rome to meet with the pope. The archbishop announced the postponement of the papal visit at the Vatican on Wednesday.

28 Hostages Held on Plane In Honduras

Hijackers Demanding Freedom for Leftists

The Associated Press

TEGUCIGALPA, Honduras — Four hijackers lowered their ransom demands Thursday for the release of 28 hostages aboard a Honduran aircraft after the government refused to pay \$1 million and to free 52 persons the hijackers said were being held in Honduran jails.

The hijackers reduced their demand to \$250,000 and the release of 32 reputed prisoners in a radio message from the plane parked at Tegucigalpa airport. There was no immediate government response.

After the government rejected the hijackers' initial request, the deputy foreign minister, Rodolfo Rosales Abella, said, "Honduras is a poor country confronting a tremendous economic crisis and it cannot enjoy the luxury of handing over \$1 million to a terrorist group."

"Neither can we free 52 political prisoners who do not even exist in our jails since no one here is persecuted for his political ideas."

Earlier, the government said it would let the hijackers fly to another country if they freed the hostages. It said the hijackers were members of a leftist group called Revolutionary Popular Forces-Lorenzo Zelaya.

Police said the Honduran Air Service propeller-driven plane was taken over by four leftists, armed with pistols and rifles, during a flight from La Ceiba to Tegucigalpa. La Ceiba is 115 miles (185 kilometers) north of the capital.

In negotiations with the president of the Honduran Human Rights Commission and ambassadors from the Vatican and the Dominican Republic, the hijackers first demanded \$500,000 and the release of 20 persons they said were political prisoners. A Honduran official said none of the 20 were serving prison terms for crimes of any kind.

The hijackers increased their demands Wednesday night in a message from the plane. They demanded \$1 million, the release of 52 political prisoners, an ambassador, the Rev. Andres Cordero Lanza. But there was no official confirmation that any of the additional 32 persons listed were in prison.

16 Hostages Freed

During the day, the hijackers freed 16 hostages. Eleven were women passengers, two were stewards, one was a child and two were men who were reported to be ill.

Among those released were seven Americans, the U.S. Embassy said. One of eight Americans remaining aboard the aircraft reportedly was NBC television correspondent Brian Ross.

Police sources said the hijackers apparently placed explosives in different parts of the plane. Earlier in the day, they had threatened to blow up the aircraft, unless their demands were met, but they did not renew the threat when they increased the demands.

Shots were heard from inside the plane at one point, but there was no word that anyone was hit.

The Revolutionary Popular Forces-Lorenzo Zelaya is named for a student leader who was killed in 1976, when police opened fire on a demonstration he was leading. The group has claimed responsibility for 16 terrorist acts in the past two years, including a machine-gun attack on the U.S. Embassy three weeks ago in which no one was hurt.

France Prepared To Expel 40,000 Illegal Immigrants

Reuters

PARIS — About 40,000 foreigners face expulsion from France after failing to qualify for legal status, the secretary of state for immigrants, Francois Autain, said on television Thursday.

The Socialist government, which came to power in May, 1981, said that it would give priority to ensuring the rights and social benefits of illegal foreign workers by offering them a six-month period to apply for legal status.

Mr. Autain said 100,000 people had qualified. The 40,000 who face expulsion were unable to prove reasonable employment, a source of income, the requirement for legal status, officials said.

Mr. Autain also told the pro-Socialist newspaper *Le Matin* that with the six-month grace period finished, the government will launch a strict campaign to deport illegal foreign workers and to stop illegal entry.

He said the new measures were also necessary to counter an increase in racism in France.

Nigerian Troops May Leave Chad

The Associated Press

LAGOS — A battalion of Nigerian troops serving with the Organization of African Unity peace-keeping force in Chad will return home by the end of this week, the Nigerian news agency has reported, quoting Ministry of Defense sources.

Nigeria maintains about 2,000 soldiers in Chad as part of an OAU force that also includes troops from Senegal and Zaïre. Last month, Nigerian Foreign Minister Ibrahim Danjuma said his country would consider pulling out of the OAU force if there was no progress toward a political solution in Chad. The agency did not say Wednesday how many Nigerian forces would remain once the battalion is withdrawn.

WORLD NEWS BRIEFS

Compiled From Agency Dispatches

Pravda Reports Farms Working 2 Shifts Per Day

United Press International

MOSCOW — Soviet farms are working double shifts in an attempt to make up for last year's drastic shortfall in grain production, *Pravda* said Thursday.

Unseasonal cold and snow last month delayed the beginning of spring work by two weeks, but Western agricultural experts say that so far the weather outlook for the 1982 crop is fair.

The grain may suffer later because a late spring means key growing periods will fall in the hottest part of the summer. If there is little rain then, much of the crop may dry up as it did last year, resulting in a total yield of around 150 million to 160 million metric tons compared with a goal of 235 million.

The *Pravda* report said mechanical equipment was being shifted around on state and collective farms to allow for plowing and sowing within a 24-hour period. "Not infrequently, the soil is prepared at night, and by day the sowing units are going over these fields," *Pravda* said.

"The grain workers of many enterprises have set themselves a task," *Pravda* added, "not only to fulfill the plan of sales [to the state] for this year, but also to fill in the shortage of production left over from the last drought summer."

3 E. Germans Flee to West

United Press International

HELMSTEDT, West Germany — Three East Germans used a bulldozer early Thursday to crash through a border fence into West Germany, police said. The escape set off automatic firing devices, but the three men were not hurt.

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U.S. Arrests of Aliens Are Challenged

NEW YORK — About 3,500 persons have been arrested so far this week in a crackdown on illegal aliens working in the United States, but many are being set free and a federal judge has set a hearing on whether to halt the raids.

The action in nine cities by agents of the Immigration and Naturalization Service also has stirred protests from church groups and organizations representing Hispanics, Arabs, Jews and other immigrants.

In Los Angeles, lawyers for an immigrant rights group won a federal court order Wednesday barring the imminent deportation of 150 Mexicans.

Nuclear Ban Defeated in New Zealand

WELLINGTON, New Zealand — Parliament Thursday defeated by one vote a move to declare New Zealand a nuclear-free zone, which would have blocked the visit of U.S. nuclear-powered warships.

Richard Prebble, a member of the opposition Labor Party, introduced the bill two weeks after the Wellington City Council voted to declare the New Zealand capital a nuclear-free zone. Mr. Prebble's bill was defeated 36 to 35.

The Wellington council motion was aimed at preventing visits by U.S. nuclear-powered warships.

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Analysts Say Failure Of Budget Talks Hurts Outlook for Recovery

By John M. Berry
Washington Post Staff Writer

WASHINGTON — The failure of budget negotiations between President Reagan and congressional leaders leaves the nation facing a string of huge budget deficits and continuing high interest rates, with little chance for a sustained economic recovery soon.

Congress still could find ways to reduce the deficits. But in the absence of major spending cuts and tax increases, interest rates are likely to stay so high that the housing and auto industries almost certainly will remain deeply depressed, according to a number of economists. In addition, the high rates probably will lead businesses to keep cutting back their capital investment, which means there is no healthy, long-term economic growth.

Murray L. Weidenbaum, Mr. Reagan's chief economist, recently said that even the \$56 billion worth of spending cuts and revenue-raising measures proposed in the president's February budget are not regarded as large enough to relieve pressures in financial markets and bring interest rates down. There will be "a slower, less robust recovery" if there is no budget accord, he said.

Limited Expansion Expected
In a similar vein, H. Erich Heinemann, an economist at Morgan Stanley & Co., a New York investment banking firm, said last week that in the absence of a significant change in the budget outlook, "we expect that any drops in interest rates will be short-lived and which should serve effectively to limit the scope of economic expansion this year and next."

One of the few points on which the administration and congressional negotiators agreed was that without tax increases or further spending cuts, the 1983 deficit would be about \$180 billion — and that figure assumed the economy would begin growing at about a 4-percent annual rate at midyear.

If the Treasury has to borrow to finance a deficit of that magnitude in 1983 and even larger amounts in 1984 and 1985, while the Federal Reserve continues to limit the growth of the money supply to hold down inflation, interest rates are unlikely to fall.

Economists fear that any incipient recovery could then be choked off by a jump in interest rates, which would rise as federal borrowing collided with the increased

need for credit in the private sector.

The administration had hoped that a recovery would be touched off by the 10-percent cut in individual income taxes scheduled for July, plus the \$12 billion in cost-of-living increases in Social Security benefits set to take effect the same month.

Generally speaking, economists are much more worried about the huge deficits looming for 1984 and 1985 than the deficit expected in 1983, because next year, even with a recovery, the economy would still be depressed and business demand for credit would be relatively low.

At some point, the Federal Reserve probably would be forced to raise its money-supply growth targets to stem the damage from repeated bouts of recession. To do so, the Fed would directly buy more of the Treasury securities issued to finance the deficit. This could lead to renewed inflation.

If there is no action to trim the deficits, Irwin L. Kellner, chief economist at Manufacturers Hanover Trust Co., expects the major banks' prime lending rate, now 16 1/2 percent, to hit 22 percent by late summer. If, as is more likely, Congress acts to cut spending, raise taxes, rates would stay about where they are. A "meaningful compromise" could lead to steadily declining rates over the next year, he believes.

Allen Sinai of Data Resources Inc. said the failure of President Reagan and congressional leaders to compromise could push interest rates up by about 1 percentage point. The uncertainty over the budget probably has already clipped a full percentage point off next year's economic growth because it led to higher corporate bond rates, he said.

But Mr. Sinai noted that there could be an "escape valve." If inflation continues to fall, a given money-supply growth rate will sustain a higher level of real economic activity before rising interest rates begin to squeeze out private borrowing, he said.

"With a 2-percent or 3-percent inflation rate, we would have no clash between fiscal and monetary policy," Mr. Sinai said. But he added that the rate probably will be in the 6-percent range at year's end.

"A failure to compromise on the budget makes the whole recovery much more fragile, much more vulnerable," he said. "Fooling around on it for another six months will hurt, but it will really hurt when those deficits actually occur."

Reagan, Leading Democrats Fail to Reach Budget Accord

(Continued from Page 1)

Committees, to get his cues from them.

Despite this sniping, both sides agreed that what Rep. Bolling called "fundamental policy differences" led to the stalemate. They also agreed that a congressional battle seems "unavoidable."

The White House announcement last Wednesday afternoon that Mr. Reagan would make a television speech Thursday night to defend his budget seemed to indicate his readiness for such a fight.

"I don't rule out the possibility of further talks," Sen. Baker said after the Capitol meeting. But he added, "there's no realistic prospect of a bipartisan agreement."

"The president offered to split the difference on the issues remaining in dispute and that was not agreed to," Sen. Baker said.

He said "splitting the difference" meant that Mr. Reagan would meet the Democrats halfway on domestic spending, agree to increases in taxes and other revenue of \$123 billion over the next three fiscal years and accept \$28 billion in military spending cuts in the same period.

But the Democrats, according to a worksheet used in the meeting, proposed revenue increases of \$145 billion over three years, and they wanted military spending cuts of \$33 billion.

The worksheet breakdown on the spending proposals also illustrated the ideological lines. The Republicans proposed \$25 billion in spending cuts for entitlement programs over three years, as opposed to the \$8 billion to \$9 billion favored by the Democrats.

By limiting cost-of-living increases in Social Security and other benefit programs, the Republicans proposed to save \$26 billion in three years, while the Democrats would have taken \$16 billion from beneficiaries of those programs.

On nonmilitary discretionary spending, which covers a range of social programs, the White House wanted to cut \$33 billion rather than the \$23 billion favored by the Democrats.

The chance of resolving these differences on the split-the-difference formula apparently disappeared when Rep. O'Neill rejected the idea of trading a three-month delay in the tax cut for a three-month delay in cost-of-living increases for Social Security.

Deficit Target
Both sides agreed on a deficit target of \$105 billion to \$110 billion in fiscal 1983. But the Democrats insisted that the deeper spending cuts proposed by Mr. Reagan showed that he means to preserve his plan to cut income taxes by 25 percent over three years by reducing services for poor and middle-income families.

"The president and his people honestly believe their program is fair, and we know it isn't fair,"

Nations Worried By Cuts in Funds For Asian Bank

Reuters

MANILA — The developing countries of Asia and the Pacific, as well as some of their more affluent partners in the Asian Development Bank, voiced concern Thursday about increasing difficulties in obtaining international aid funds.

Sri Lankan Finance Minister Rommie de Mel told the ADB's 15th annual meeting that Third World countries were being forced to turn to commercial sources for funds, with consequent increases in borrowing costs.

Canadian representative Douglas Lindores joined Third World representatives in criticizing the U.S. refusal to maintain its 22-percent share in the latest replenishment of the Asian Development Fund, ADB's facility for low-cost loans. The United States has pledged \$520 million, compared with the \$903 million requested by the bank.

Finance Minister Michio Watanabe of Japan, whose extra contribution of \$130 million helped the ADB meet its target of \$3.2 billion for the fund earlier this week, pledged that his country "tends to retain its position as the largest shareholder."

West Germany's Konrad Porzner, state secretary at the Economic Cooperation Ministry, said his country was maintaining its share in the fund in spite of Bonn's large budget deficit last year.



Walter Polovchak

CIA Details Secrets Sold By U.S. Spy

Report Says Russians May Have Radar Plans

By Robert C. Toth
Los Angeles Times Staff Writer

WASHINGTON — A CIA report to Congress has confirmed that more than 20 "highly classified" reports on advanced U.S. weapons systems, including "the quiet radar system for the B-1 and Stealth bombers," were sold to the Communist bloc by William Holden Bell, a former Hughes Aircraft Co. engineer.

The information jeopardizes existing and experimental weapons of the United States and its allies, the CIA said in the report. It will help Poland and the Soviet Union save "hundreds of millions of dollars in research and development efforts" on comparable weapons for themselves as well as defensive measures to counteract the U.S. systems, it said.

Mr. Bell was sentenced last December to eight years in jail and fined \$10,000 after pleading guilty to espionage in a court in Los Angeles. He had been paid \$110,000 over three years for the information.

Mr. Bell's main contact was a Polish intelligence agent, Marion Zacharski, who was sentenced to life imprisonment for espionage. Mr. Zacharski had posed initially as a Polish businessman in dealing with Mr. Bell, who had financial troubles.

Official Confirmation
The CIA report is a declassified version of testimony last month by the "deputy CIA director, Adm. Bobby Ray Inman, to a subcommittee of the House Science and Technology Committee. It appears to be the first official confirmation of the kind of information Mr. Bell sold.

Mr. Bell told the CBS-TV program "60 Minutes" about the Stealth and B-1 radar documents, as well as other weapons systems, in a detailed interview weeks ago. The Pentagon refused to comment on his disclosures at that time.

The classified reports that Mr. Bell filmed and delivered to the Poles, "and probably eventually to the Soviet intelligence service," the CIA report said, also dealt with a "look-down, shoot-down" radar system for the Air Force F-15 fighter, an all-weather radar system for tanks, an experimental radar system for the Navy, and the Phoenix air-to-air missile designed for the Navy's F-14 fighter.

He also furnished information on a shipborne surveillance radar, the Patriot anti-aircraft missile, a sonar system designed to be pulled behind surface ships to detect submarines, a new air-to-air missile, the improved Hawk surface-to-air missile and a NATO air defense system, the report said.

Some of the secrets may have fallen into Soviet hands after Shah Mohammed Reza Pahlavi left Iran in January, 1979, U.S. F-14 fighters and improved Hawk missiles had been sold to Iran before then, for example.

The nature of the quiet radar for the B-1 and Stealth bombers was not immediately clear. A Pentagon spokesman said it was "assumed" the radar emits pulses at low power or pulses that are not easily detected "by hostile antennas."

Mr. Bell's information was recounted in two paragraphs of the 15-page CIA report, which was titled "Soviet Acquisition of Western Technology." It was published in response to congressional requests for a declassified version of Adm. Inman's testimony, a CIA spokesman said.

The report stated that since at least the 1950s, the Soviet Union has spent vast amounts of money and manpower to get Western technology to enhance its military power and improve its military manufacturing technology.

"Today this Soviet effort is massive, well planned and well managed, a national level program approved at the highest party and governmental levels," it said.

The Russians have succeeded in the effort by using a combination of legal and illegal means, the report said, in large part by using East European intelligence agencies as surrogates.

Honecker, Kulikov Confer
The Associated Press
BERLIN — Erich Honecker, the East German Communist leader, conferred Thursday in East Berlin with Soviet Marshal Viktor Kulikov, the supreme commander of Warsaw Pact forces, the East German news agency ADN reported.

Soviet Boy's Father Puts Blame on Politics

By Nathaniel Sheppard Jr.
New York Times Staff Writer

CHICAGO — Michael Polovchak says that if he had been a French or German citizen returning home from the United States with his children, he would not have had to fight Illinois and U.S. authorities to regain custody of his son Walter.

But he is a Soviet citizen, a bus driver who became "a victim of the relations between the Soviet Union and the United States."

Mr. Polovchak returned to the United States earlier this month to continue his efforts to regain custody of Walter, now 14, who was granted asylum after he decided he did not want to return to the Ukraine with his parents.

Mr. Polovchak said he and his wife came to the United States in January 1980, after one of his sisters living here convinced him the United States offered a life of comfort. He said he decided to return to the Ukraine, where he had held a respectable job, owned a house and had a car, when he found life in the United States did not meet his expectations.

His son Walter, then 12, and his 17-year-old daughter, Natalie, had found life in the United States appealing, and they ran away to live with a cousin to avoid having to return to the Ukraine.

The parents agreed to let their daughter make her own decision because she was almost 18, but they wanted to take Walter back with them, along with a 6-year-old son who did not become part of the dispute. But through a series of legal maneuvers, state and federal authorities prevented the Polovchaks from taking Walter home with them.

Mr. Polovchak described a meeting he had on April 16 with Walter and Natalie as "strange."

"They are so brainwashed," he said. "They could be only that they were happy here and couldn't be happy back home. My daughter told me I was not a free man, that I had been escorted by a Soviet security man. She said that if it was not so I should come with them to eat pizza. We went to a pizza parlor, ate pizza and soda and talked for a while. I then said, 'Now do you believe that I am free,' and she said, 'Yes.'"

He said Walter repeatedly told him he was afraid to return home for fear he would be persecuted or put on trial and put in a concentration camp.

"I asked him if he thought I, as his father, would come over here to take him back to something like that," Mr. Polovchak said.

"I told them that children need their parents and that parents need their children, that he would be accepted warmly if he returned."

He said that alienation from Walter and Natalie began after the cousin living in Chicago, also named Walter, began taking the children for rides in his automobile, to restaurants and to a Ukrainian Baptist Church. Mr. Polovchak said his family had long embraced the Ukrainian Catholic Church.

The custody issue is before Illinois state courts. Even if the Polovchaks are given custody of Walter, the U.S. government has moved to block his return to the Soviet Union by issuing a departure control order preventing him from leaving the United States. Such an order would have to be challenged through another lawsuit.

U.S. Claims Soviet Arms Sales Spread 'Panic'

By David Wood
Los Angeles Times Staff Writer

WASHINGTON — The Reagan administration has accused the Soviet Union of instigating a worldwide race to sell arms to the Third World.

In a report issued Wednesday by the Arms Control and Disarmament Agency, the agency's director, Eugene V. Rostow, said the Soviet policy has led to "the disintegration of world public order and the spread of fear and panic."

The report said that by the end of 1979, the Soviet Union had become the world's largest exporter of arms.

Agency officials conceded, however, that the United States has responded to the Soviet sales with sharp increases in its own weapons sales and the providing of training and military services abroad.

Robert T. Grey, deputy director-designate of the arms control agency, contended that Soviet arms sales to the Third World "jeopardize regional stability," while arms sales by the United States "foster stability." He did not explain the

remark, made in a statement accompanying the report.

The report said that the United States, faced with huge Soviet arms sales, has had no choice but to respond in kind.

From 1975 through 1979, the period covered by the agency report, the Soviet Union exported an estimated \$33.5 billion worth of weapons, while the United States sold \$29.4 billion worth. The report showed a trend of accelerating Soviet arms exports, reaching \$10.4 billion in 1979, compared with \$3.6 billion for the United States.

More recent figures are not available for Soviet arms exports; administration officials have said they expect U.S. arms sales could reach \$25 billion in fiscal 1983.

According to several private studies using government statistics, the United States already has surpassed the Soviet Union in arms sales. That conclusion was reached in a report done earlier this year for the Council on Foreign Relations and in a study released last week by the Center for Defense Information.

Much of the dispute over who leads in world arms sales involves the definition of arms. The U.S. report's statistics do not include nuclear weapons, training, military construction or "dual-use" goods — those that can be used for either military or civilian purposes.

Arms control agency analysts believe the exclusion of such costs provides more meaningful comparison with the Soviet Union, which normally offers little training, spare parts or construction to its arms clients.

Nevertheless, the administration has cited a sharp increase in Soviet arms sales as justification for its decision to make arms sales a major part of its national security policy. That policy runs counter to a Carter administration directive to use arms sales judiciously as an "exceptional foreign policy implement."

Administration officials have said that such arms sales can solidify friendship with a foreign country, as in the case of sales to Saudi Arabia, and can also counter foreign

intervention, as is the aim in El Salvador.

In addition, the production of weapons for export lowers the cost of purchasing the same types of weapons for U.S. military forces.

Officials stressed Wednesday that the administration policy of increasing arms sales came about as a reaction to the increase in Soviet sales.

"The United States remains committed to restrain arms transfers and is ready to seriously discuss specific proposals" for arms control, Mr. Grey said in the statement.

Mr. Grey said the Soviet Union has created "a military-industrial complex with a surplus capacity" which has enabled Moscow to use its arms-sale policy to implement "an ambitious policy of Third World expansionism."

In the face of that effort, Mr. Grey said, "We must assist our allies and friends in meeting legitimate self-defense requirements which are, in many cases, increased by this growth in Soviet arms transfers."

'Fascist' Rally Attempt Is Reported in Moscow

By Serge Schmemmann
New York Times Staff Writer

MOSCOW — In a land where unannounced demonstrations are all but unknown and "fascism" ranks among the vilest terms, a group of young Russians tried last week to hold a rally marking Hitler's birthday.

According to witnesses, the self-styled fascists, numbering somewhere from a dozen to more than 100, gathered in the evening of April 20 on Pushkin Square in central Moscow, which is a popular gathering place for youths. Some wore black shirts, others had high-shaven sideburns said to be a mark of the group, and a few reportedly wore swastikas on their caps.

The plans seem to have been known well in advance among other youths throughout Moscow, and scores of young rowdies, many from loosely united groups known as "loshchiki" — fans of major Soviet sports federations — congregated in the square with the intention, according to witnesses, of pummeling the fascists.

Accounts differ on what followed, but most witnesses said no demonstration ever began. Some fights reportedly broke out, but the fascists evidently were intimidated by the large number of toughs gathered in the square and failed to mount a real rally. Although the confrontation attracted a large crowd, including moviegoers from the nearby Rossiya Theater, the police seem to have been slow in breaking up the gathering.

Several arrests
But they finally did, arresting a number of youths, both fascists and looshchiki, according to witnesses.

Reports of the incident spread rapidly across Moscow, and initially were treated with widespread incredulity. Memories of the war

against Nazi Germany and its 20 million Soviet victims remain sharply etched in the Soviet conscience, and Moscowites who heard reports of the attempted rally generally expressed shock that anyone would openly profess fascism.

There was no suggestion that the "fascists" were anything more than a fringe movement, or that their existence pointed to anything resembling a national or even local trend among local youths. On the contrary, the unusual unity among the rival sports fans, who more frequently battle one another after soccer or hockey games, against the fascists pointed to their unpopularity among Moscow youths.

But as reports of the incident spread through the capital, Moscowites and foreigners were struck by the fact that such a movement could exist at all in the Soviet Union, when most dissident organizations usually find themselves quickly under police scrutiny and attack.

Common Knowledge
Also surprising was the fact that the planned rally had been common knowledge among Moscow youths. In fact, teachers at some schools reportedly warned students against being on Pushkin Square that evening, probably increasing the chances that the students would head for the square.

According to people with knowledge of the fascists, such groups have existed for several years in a few cities of the Russian Republic and the Soviet Baltic states. Many adherents are said to be offspring of well-placed functionaries in the Communist Party and in the Soviet state, and their tenets seem to combine ill-defined yearnings for a strong leader and iron discipline in industry and agriculture with elements of racism, anti-Semitism and anti-Communism.

These informants said the demonstration seemed to derive less from actual sympathy for Hitler and Nazi Germany than from a general sense of frustration with the absence of iron leadership in the Soviet Union, with the loss of incentive to work and with the general sense of stagnation.

Earlier Demonstrations
There have been some reports that the fascists have held minor demonstrations, in such Russian cities as Kurgan or Sverdlovsk, but these reports could not be confirmed.

The sports fans who confronted

the fascists on Pushkin Square, on the contrary, have received considerable publicity, largely in the form of attacks on their spreading practice of daubing the initials of their favored clubs on walls and fences throughout Soviet cities.

The initials of the most popular teams — Spartak, the Red Army Club and Dynamo — have proliferated in recent years throughout Moscow, along with reports of rowdy and sometimes violent behavior among their followers. In Sunday's issue of the newspaper *Leninskoye Znamya*, a war veteran bitterly complained about the spreading of the graffiti and demanded stiff fines and even prosecution for those responsible.

Although the behavior of the Soviet sports fans has never approached the violence familiar in some Western cities, it has led to greatly increased police contingents at major hockey and soccer matches.

Iran's Bonn Envoy Claims Police Bias
United Press International
BONN — The Iranian ambassador to Bonn, Mehdi Navab, accused West German police Thursday of showing bias against supporters of Iran's revolutionary leader, Ayatollah Ruhollah Khomeini, in handling violent clashes between Iranian students Saturday at Mainz University.

Mr. Navab said at a news conference that Khomeini supporters arrested by police soon found themselves "in great difficulty" whereas anti-Khomeini activists in West Germany were frequently freed soon after arrest. The clashes at the university left eight police and 28 Iranians injured.

Mr. Navab said he had visited some of the Khomeini supporters under arrest in Mainz and they had claimed police had beaten them up following the clashes. Police, meanwhile, said that a group of about 150 Khomeini supporters had traveled from throughout West Germany to the campus to attack a group of anti-Khomeini students.

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A Year After Battle on Baby Food, WHO Is Urged to Draft Drug Code

By Iain Guest

GENEVA — The controversy re-verberated on both sides of the Atlantic for weeks. It dominated U.S. congressional hearings, prompted the resignation of two senior officials from the U.S. Agency for International Development, and culminated at last year's assembly of the World Health Organization in an international code banning the aggressive promotion of baby foods.

Now, WHO officials face growing pressure from consumer groups and radical Third World governments to draft a similar code on pharmaceutical drugs. Such a code, the officials acknowledge, would alienate some of the

world's most powerful companies and anger the Reagan administration — which cast the only vote against the baby-foods code last year and contributes one-fourth of the agency's budget.

Whether or not this happens could depend on how Halldan Mahler, the WHO director-general, presents the issue to the 1982 assembly, which begins in Geneva next week. Most WHO officials expect he will present an optimistic picture; they point to the fruits of a two-year dialogue between the pharmaceutical industry and WHO.

This dialogue has, at first sight, yielded some impressive results.

• Acceptance by the industry of the principle that imported drugs can eat into the health budgets of poor countries without addressing their main health problems, which stem largely from inadequate water supplies and malnutrition.

Three years ago, WHO drafted a list of 240 "essential drugs." Large pharmaceutical companies, concerned at first that this would restrict their sales, now have accepted the idea, and 70 countries have drawn up lists based on the WHO model.

• An offer by the Zurich-based International Federation of Pharmaceutical Manufacturers Association to provide drugs to the least-developed countries on favorable terms. Company sources say that 43 pharmaceutical firms have offered to contribute drugs.

• A voluntary code on marketing practices, drawn up by the industry under the auspices of the pharmaceutical federation. The code states that no manufacturer shall make claims that cannot be supported scientifically, and it says that all products sold must "have full regard to the needs of public health."

• Involvement by the companies in the establishment of national drug policies for a group of African countries, including the landlocked nations of Burundi, Lesotho and Rwanda, whose drug bills are disproportionately high because of air-freight costs. In Burundi, joint missions involving WHO and the pharmaceutical firms Ciba-Geigy, Hoffmann-La Roche, Sandoz, and SmithKline Corp. have tentatively identified a list of up to 15 "essential drugs." About half of these could be produced locally.

Despite this progress, both sides admit that the dialogue is now almost at a standstill. Particularly difficult has been the problem of defining the industry offer to provide drugs "on favorable terms."

Meanwhile, waiting in the wings at the upcoming WHO assembly will be a consumer coalition known as Health Action International. The coalition was formed in Geneva immediately after the baby-foods debate last year, and some of its 30 member organizations have been monitoring the baby-foods code.

The group has criticized the pharmaceutical federation code for lacking enforcement provisions, and recently sent details of 20 alleged violations to the federation's headquarters in Zurich.

"Certainly, we would like to see a WHO code," said Charles Medawar, a member of the London-based consumer group Social Audit. "Any organization of its standing simply has to define what it sees as unacceptable practice by the companies."

He refused to rule out the possibility of a consumer boycott, similar to the boycott of Nestlé products by the baby-foods campaigners.

WHO officials also are braced for criticism from radical governments such as Mozambique and Ethiopia, which already control Western drug imports; from Pakistan, which has a large number of rural poor but would not benefit from the industry offer because it is not classified as a least-developed country; and from Eastern-bloc countries, which see openings for their less sophisticated pharmaceutical products in the Third World.

Even within WHO, opinion appears divided. Some officials feel that the agency's official goal — "Health for all by the year 2000" — is only attainable through drastic political change on the Socialist model.

At present, such notions are far from being official WHO policy, and senior officials are seriously concerned that open confrontation with the pharmaceutical companies could further reduce their incentive to develop new drugs for use in the least-developed countries.



BOAT PEOPLE — Surrounded by their damaged boats, Vietnamese refugees gathered Thursday on a larger fishing junk in Hong Kong while waiting for immigration processing.

Mauroy Repeats French Promise Of Support for Quebec 'Identity'

By Henry Giringer

NEW YORK TIMES SERVICE
QUEBEC — French Prime Minister Pierre Mauroy has returned to Paris, leaving Quebec with a promise that France will never abandon it and will remain at its side "whatever the ways it may choose to affirm its identity."

On Tuesday, Mr. Mauroy ended a six-day visit to Canada during which he performed a difficult balancing act between opposing governments — that of Prime Minister Pierre Elliott Trudeau in Ottawa, intent on keeping Quebec part of Canada, and that of Premier René Lévesque of Quebec, equally intent on achieving independence.

While refusing to be drawn into the quarrel, Mr. Mauroy managed to please both sides by insisting on his desire for "normal" and "friendly" relations with the federal government and for the continuation of "privileged" relations with French-speaking Quebec, a "branch" of a common family tree.

Mr. Mauroy asserted that compatibility between the two relations was very possible and he left behind probably more good feelings between France and Canada than at any time in the last 15 years of often strained ties.

But no firm decisions on large-scale projects were announced by either side.

Trade between the two countries is very small and at a news conference Friday, Mr. Trudeau attributed this partly to the French obsession with Quebec's status. It is an obsession that goes back to 1967, when President Charles de Gaulle went to Montreal and shouted "Long live a free Quebec!" from the balcony of City Hall.

But on Friday, Mr. Trudeau appeared satisfied that France was no longer damaging Canadian unity, saying in effect that the Gaullist ghost had been laid to rest.

Mr. Trudeau made an effort to bring France onto Ottawa's side by pointing out to Mr. Mauroy that Quebec voters, in a referendum two years ago, had chosen to remain in Canada rather than become independent. But, Mr. Mauroy said, "France will not mix in Canada's internal affairs."

Mr. Trudeau appeared content with the apparent shift of policy by France's Socialist government away from exclusive preoccupation with Quebec and toward an interest in developing stronger economic ties with other regions.

It was in Quebec, however, that Mr. Mauroy had his warmest words. When he greeted the Quebecers, he said that they had refused to yield to "assimilation by North American Anglo-Saxon society." Monday night, at an official

dinner, and Tuesday, before Quebec's National Assembly, the prime minister pledged French support for whatever path Quebec chose in the future, rebuking a policy laid down in 1977 by former President Valéry Giscard d'Estaing during Mr. Lévesque's first visit to Paris.

The policy did not please Ottawa because it appeared to encourage Quebec independence. But no great fuss was raised at the time and none is expected now.

W.R. Burnett, 82, Hollywood Writer, Dies

From Agency Dispatches

LOS ANGELES — W.R. Burnett, 82, who wrote the screenplays for "Little Caesar," "The Asphalt Jungle" and "High Sierra," died Sunday.

His works had an influence in establishing several movie stars, including Edward G. Robinson in "Little Caesar," Paul Muni in "Scarface" and Alan Ladd in "This Gun for Hire."

His other screen credits include "Action in the North Atlantic," "Crash Dive," "Vendetta," "The Racket," "Arrowhead," "Short Cut to Hell," "September Storm."

Tom Tully

From Agency Dispatches
NEWPORT BEACH, Calif. — Tom Tully, 85, who played tough-

Tunisian Plays Down Alleged Libyan Threat

Washington Post Service

WASHINGTON — Col. Moamer Qadhafi, the Libyan leader, has moved away from efforts to subvert Tunisia's government and is cooperating in lowering tensions in the region of northwestern Africa known as the Maghreb, according to Premier Mohammed Mzali of Tunisia.

"He has told us he wants better relations, and we have taken him at his word," Mr. Mzali said Wednesday in Washington. "We hope that this continues, even if we know that in politics you can never be absolutely sure of anything."

Mr. Mzali is on an official visit to the United States that includes meetings with President Reagan and other senior officials.

In seeking to win congressional approval this month for a major increase in foreign military sales credits for fighter aircraft and tanks for Morocco and Tunisia, the Reagan administration has stressed the security threats to the region posed by Libya. Peter D. Constable, a deputy assistant secretary of state, told the House subcommittee on Africa last week that Tunisia is "under direct threat from Libya and inadequately equipped militarily."

Mr. Mzali did not directly dispute this assessment, but he portrayed the \$140 million re-equipment program for Tunisia that the Reagan administration seeks to finance in different terms.

He said, "We have devoted in the past years all of our spending to development, to education, to health, to agriculture, and neglected the military. It is like moving into a new house and then waiting 10 years to get any furniture, or even a door. We need a door. We need to be able to protect our coast, where now we can't even prevent foreigners from fishing our waters."

Opponents of the sharp increases in military sales to Morocco and

Tunisia assert that the United States is shifting the emphasis of its aid to the region away from economic assistance and toward selling military hardware to governments that face internal problems because of badly sagging economies, rather than direct external threats.

Mr. Mzali, 56, has been a leading figure in President Habib Bourguiba's Destour Party and in successive governments for more than two decades. He is considered in Tunisia to be a leading candidate to inherit power from the president, who is 78.

One of the focal points of discontent in Tunisia in recent years has been spiraling unemployment rates. Mr. Mzali acknowledged that at best the new five-year economic development plan, which calls for the creation of 60,000 new jobs a year, would fall 10,000 short.

There are an estimated 60,000 Tunisians working in Libya, and Col. Qadhafi appears to be attempting to woo Mr. Bourguiba's government with economic concessions after evident Libyan involvement in a paramilitary uprising in Gafsa in January, 1980, soured relations between Tripoli and Tunisia. The Libyan leader has visited Tunis twice this year and has signed an accord covering economic, industrial, cultural and information matters.

The Reagan administration is seeking \$100 million in foreign military sales credits for Morocco, a twofold to threefold increase over average amounts provided in the past five years. The Tunisian request, which Mr. Mzali indicated that Tunisia was still trying to get on softer terms, represents a \$55-million increase over last year. The U.S. programs for both Morocco and Tunisia programs include the sale of M-60 tanks and F-5 fighters.

Monday at his castle, his family announced Tuesday. His son, Prince Johannes Baptista, 58, 66, came head of the family on his death.

Daisy Gordon Lawrence
NEW YORK (NYT) — Daisy Gordon Lawrence, 81, the first American Girl Scout, died Monday in Seattle.

OBITUARIES

Mutiny. Other films included "I'll Be Seeing You," "Destination Tokyo," "The Moon Is Blue," "10 North Frederick" and "Coogan's Bluff."

Prince Karl August

REGENSBURG, West Germany (UPI) — Prince Karl August von Thurn und Taxis, 83, head of the house of Thurn und Taxis, died

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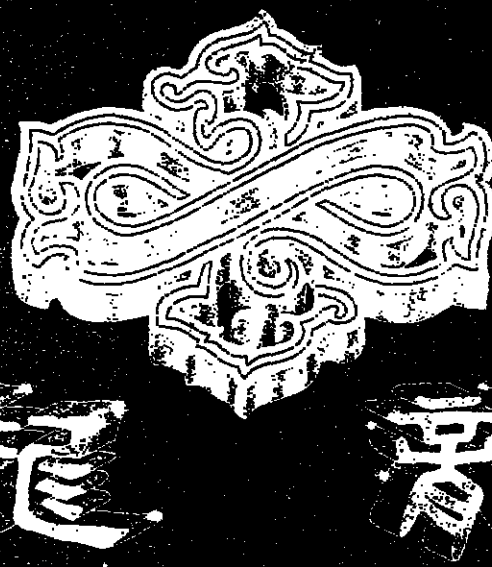
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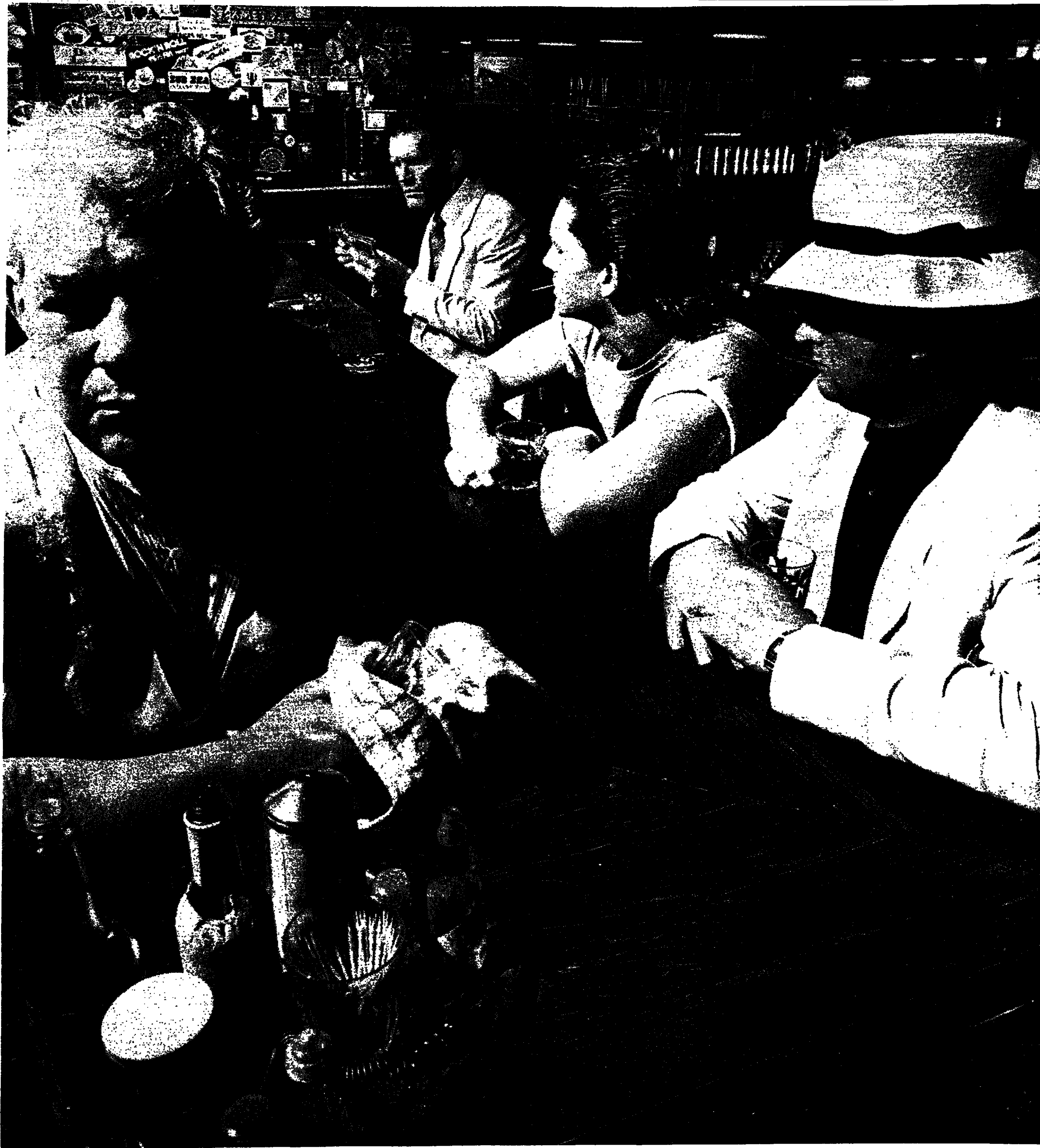
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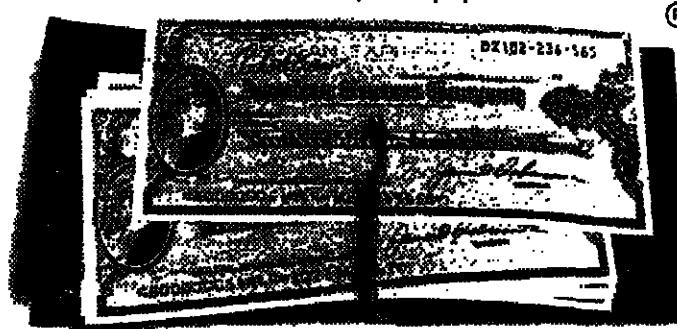
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The U.S.'s Tilsit Budget

President Reagan's journey to the Capitol for the budget negotiations was an arresting piece of political theater. The scene brought to mind the similar negotiation at Tilsit in 1807, when Napoleon sat down to divide Europe with the king of Prussia and the czar of Russia. They chose a neutral spot for the talks — a raft in the middle of the Niemen River, which separated their armies.

The two cases are not exactly parallel, of course. The role of czar has never quite suited House Speaker O'Neill. It is true that the treaties of Tilsit did not endure for long. But they held up for a few seasons — and that's more than you can say of the talks Wednesday at the Capitol. The result there was a flat collapse, after six weeks of intense work that deserved a better ending. The negotiators seem to have decided only that an open disagreement was better than the faked and fudged quasi-agreement, with loose numbers and vague promises, that seemed to be emerging last weekend. In that, they are right.

There are a lot of people, both Republicans and Democrats, who have a strong interest in representing this affair as only another conventional partisan collision. In fact, it began with a challenge to the president from within his own party. Last summer, senior Republicans in the Senate began to warn the White House that its projected defense spending was too high and its deficits too large. That row simmered through the fall, with the Democrats taking little part.

When the president brought out his budget in February, congressional Republicans were stunned by the size of the deficits. They began working, with a good deal of support within the administration, to convince Mr. Reagan that the deficits were too large. They persuaded the leaders of the House Democrats to join the talks. The Democrats agreed because they were hearing from home about interest rates, and the only way to lower interest rates is to lower the deficits.

But all these maneuvers and discussions kept striking one intractable reality. Mr. Reagan sees no great need to change his budget. He thinks it's fine. He doesn't believe it asks too much for defense. He thinks the deficits are all right. And because he thinks those things, no deal has been possible.

Without any further change in policy, the deficit for the fiscal year 1983, starting in October, is likely to be about \$180 billion — by far the largest, by any measure, since World War II. Congress will doubtless make some changes. But in the absence of the kind of explicit, comprehensive agreement that the late negotiations were seeking, any tax increases and spending decreases will be minor compared to that vast deficit.

At Tilsit, Napoleon, the king and the czar at least managed to get off the raft safely. At the Capitol, the barge sank, and by late afternoon the statesmen could be seen swimming rapidly for shore — all of them in different directions.

THE WASHINGTON POST.

The 'Right' Language

Suppose a Hispanic child, speaking only Spanish, enters elementary school in the United States. Should he be taught to read in Spanish while he separately learns English? Or should he be taught only in English? One side of the debate argues that, if instruction is only in English, the Spanish-speaking child will fall behind while he learns it. The other holds that if he is taught in Spanish he will lag in his command of English.

The Reagan administration is moving, slowly, in the right direction on the highly inflammatory subject of bilingual education. The secretary of education, Terrel Bell, said last week that the federal government is dropping the misguided rules it has been trying to impose since 1975. The Education Department is no longer trying to tell local school districts they have to provide instruction in the child's first language.

The administration is quite right. The United States has now had quite a lot of experience with bilingual education, and, in most cases, such education falls in the large category of high-minded ideas that do not work well. Generally speaking, if these children are going to live and work in U.S. society, they will be better served by being taught from the beginning in English.

The federal rules of the 1970s were formed under heavy pressure from Hispanic political and cultural organizations protesting that Spanish-speaking children had been neglected in the schools. In 1980, the Carter administration responded by proposing regulations greatly strengthening the bilingual requirement. That drew fierce opposition from school systems with very diverse populations of foreign-born children. It is not unusual to find classrooms in which a dozen languages are represented, including those of Vietnamese hill tribes. To teach these children in their own languages is hardly possible.

If a child comes into a U.S. school knowing little English, he has a right to special help. That has been affirmed by the Supreme Court, and no one disputes it. The argument is over the form it ought to take. Some school systems prefer bilingual instruction, and they will stick with it. Others employ, instead, intensive instruction in English. The federal government has a responsibility to see that children get the attention to which they are entitled. But it has no business doing what the past two administrations tried to do — tell local school systems which method they must follow and how they must follow it.

THE NEW YORK TIMES.

Argentina Crying 'Spy'

Argentines don't like their country to be portrayed as brutal and lawless, a place where justice is arbitrary and prisons are horrible. But those are pretty good descriptions of what the Argentine junta has done to three accredited British journalists: slammed them into tiny cells, denied them bail and charged them with espionage.

Understandably, given the frenzy over the Falklands, Argentina is jumpy about the apparent snooping of these reporters from London — Simon Winchester of The Sunday Times, and Ian Mather and Tony Prime of The Observer. They were initially arrested

April 13 for behaving suspiciously — they were taking notes and asking questions — at a military base in Tierra del Fuego.

What passes understanding is why Argentina is now so determined to throw the book at the three. If for doing their job these Britons are given long sentences, Argentina adds to its reputation for savagery, and weakens its own argument that 1,800 Falklanders would be well-treated under Argentine law. There is a wiser way for Argentina to show its displeasure with Fleet Street: three one-way tickets to London.

THE NEW YORK TIMES.

Other Opinion

On U.S. Information Policy

The International Institute for Applied Systems Analysis was launched during the Nixon administration. It has become the site of joint efforts by 17 nations from East and West, studying major issues like transportation, water resources, agriculture and communications. The United States has provided about a quarter of the operating budget. The Soviet Union provides a similar amount. However, the \$2.3-million contribution expected this year was eliminated from the budget and President Reagan has written ... that he planned no further official participation in the institute. Part of the administration's opposition has been justified on the grounds that it involved the risk of Soviet acquisition of information with security implications. The National Academy of Science has conducted a preliminary review rebutting this view.

Tenser relations with the Soviet Union should not become the occasion for closing doors to other East European nations, especially in generally nonpolitical organizations such as the institute. Quite the contrary: There is every reason to encourage such contacts.

— From The Boston Globe.

A Signal to Other Arab Countries

The return of Sinai to Egypt implements one of the chief provisions of the Camp David agreements and as such represents the culmination of a long peacemaking process. In view of all the uncertainties, no one expects the Egyptians can be entirely happy with it. ... But the return of this territory ought to be a signal to other Arab countries that much more can be achieved by negotiation than by aggression. If the situation remains stable in Sinai, it is possible that Israel itself might be encouraged to adopt a more flexible attitude toward its neighbors.

— From the Neue Zürcher Zeitung (Zurich).

Departing UN Rights Official: 'We Have to Speak Out'

By Jonathan Power

LONDON — On April 30, Theodor van Boven leaves his office in Geneva and joins the unemployed. He was the director of the United Nations Human Rights Division and the victim of one of the first executive decisions of the new UN Secretary-General, Javier Pérez de Cuellar.

Mr. Pérez de Cuellar, a Peruvian, came into office Jan. 1. On Feb. 7, Mr. van Boven, a former Dutch Foreign Ministry official long resented by many Latin American governments for his probing into the seamy side of their affairs, was told that his five-year term would not be renewed.

Resentment against Mr. van Boven's activities had been mounting for at least three years. But it was a speech he made Feb. 1 at the opening of the 1982 session of the Human Rights Commission that brought matters to the boil. Mr. van Boven, unusually, had requested to see the speech, objected to mentions of specific countries.

Mr. van Boven's theme dealt with the commission's campaign against mass murders. On his list were Cambodia, Uganda, Equatorial Guinea, Iran, Chile, Guatemala and El Salvador. He was told that, as a member of the UN staff, it was his duty to be impartial. Mr. van Boven considered this

view dangerous nonsense, and gave the speech as he'd written it.

"The UN and its officers can't be impartial about human rights," Mr. van Boven said recently in Oxford. "The UN has proclaimed certain values, so how can we be neutral? We have to be objective, but once we have checked the facts, we have to speak out."

When Mr. van Boven took over the division, the Human Rights Commission saw the world through the narrow lens of the Soviet and militant Third World viewfinder. He dealt with the "classical three" — South Africa, Chile and Israel. Now the commission regularly criticizes 15 countries, including Poland, Afghanistan and a spread of Asian, Latin American and African nations.

Mr. van Boven has focused less on countries per se and more on "phenomena." He believes this has reduced the element of confrontation. In the 1970s, the commission investigated slavery; in 1980, "disappearances" and the plight of indigenous peoples; and this year, mass killings.

Did the advent to power of Jimmy Carter give the commission a push? "Future gener-

ations will pass a better judgement on him than today's," Mr. van Boven, who was in England to speak at the annual conference of the United Nations Association, said of the former U.S. president. "He gave human rights a special momentum, particularly in those countries in the direct sphere of influence of the United States, the Latin American countries."

"One can clearly see that, since Reagan came to office, there has been more East-West confrontation on the commission and a hardening of attitudes by the Latin Americans. Immediately after Reagan was elected, there was a wave of arrests and renewed oppression in Haiti, Guatemala, already bad, got worse. So did Chile."

But to Mr. van Boven's surprise, the commission continued to progress in its last session. "Once a movement has begun, it's difficult to stop. Because of the U.S.'s more negative position, the West European countries are pushing harder." It is an interesting turnaround. Mr. Carter had to prod the Europeans when he began his human rights effort.

Mr. van Boven feels the Soviets are more

at ease with the Reagan posture on human rights. Yet they have never been so much on the defensive. The commission's work on Poland and Afghanistan has left them less time to create obstacles in other areas.

An Austrian, Kurt Huml, will take over Mr. van Boven's job. He comes from a government active in human rights. The likelihood is that the commission will continue to break new frontiers. The last session should have been a lame duck. But, as The Economist magazine noted, "Some said it was the best session ever."

It broke new ground with a report on human rights in Iran. It authorized a UN investigation of Poland and deplored Guatemala's failure to cooperate with a similar investigation. There are now enough Third World and West European countries that rate human rights highly enough to drive such resolutions through. The commission may still lack bite — no one has to take any notice of its edicts — but it is becoming a public standard-bearer for the half-forgotten words and pledges in the UN Charter. This is progress.

The writer is editorial adviser to the Independent Commission on Disarmament and Security Issues.

Canadian Power Tilting Westward

By Les Whittington

OTTAWA — Canada is going through a phenomenon that the United States experienced a generation ago, as its economic and political authority gradually shifts toward the affluent Far West.

The tilt in the locus of power is causing predictable problems, not the least of them arising from attempts by Prime Minister Pierre Trudeau's central government in Ottawa to assert its sway over the wealthiest Western provinces, Alberta and British Columbia.

But just as California has steadily grown into the most populous and influential U.S. state, so Canada's Western areas are almost certain to dominate the rest of this country in the foreseeable future.

The trend over the past decade has accelerated lately as a consequence of the recession, which has severely hit Canada's eastern industrial regions, such as Ontario, the location of the federal capital.

By contrast, Alberta continues to thrive on its oil and natural gas reserves, even though the boom of recent years has tapered off somewhat. British Columbia prospers from timber, coal and, especially, trade with Asia.

While the national economy is likely to remain at a standstill this year, Alberta expects its economy to expand in 1982 by 5.5 percent after inflation. British Columbia, whose timber industry is suffering from the decline in U.S. housing construction, nevertheless anticipates a 2.5-percent growth rate.

Energy resources have already made Albertans the richest Canadians. They pay no sales tax, and they benefit from the \$10-billion Alberta Heritage Fund, amassed from petroleum revenues.

The province's annual per-capita product, the sum of the value of its goods and services, is \$12,200; industrial Ontario's is \$9,500.

Alberta's position as the Saudi Arabia of Canada has given its premier, Peter Lougheed, a strong voice in the decentralized federal structure, under which the provinces control their natural wealth.

Attracted by the lure of prosperity, increasing numbers of Canadians are moving westward. Census figures to be published later this year will show that not only Alberta and British Columbia but two other Western provinces, Saskatchewan and Manitoba, have gained in population.

This means the West will have more seats in the federal legislature, a development that will further erode the political influence exercised by Ontario and Quebec, the traditional power centers.

Unsurprisingly, the population drift has created local tensions. Westerners denounce Eastern migrants as "creeps and bums" who drive up the crime rate, while the Easterners refer to Westerners as insensitive "rednecks."

More important, however, has been the strain put on the fabric of the Canadian confederation as a result of Trudeau's efforts to resist the regional pull toward the West.

In a move to curb the rising influence of Alberta and other Western provinces, Trudeau sought to set the price of Canadian oil and determine the central government's share of oil revenues, estimated to total \$12 billion between 1981 and 1986.

This attempt, which triggered a bitter dispute, ended last fall after protracted negotiations. But the Westerners, led by Lougheed, still harbor grudges against Trudeau, whom they accuse of fixing Canada's tariffs to favor the East.

This friction has spawned separatist sentiment, which was not taken seriously until this winter, when a rightist former rodeo rider won an Alberta by-election, espousing independence for the province.

His victory prompted the conclusion among political analysts that Western alienations in Canada may be considerably more profound than they had previously calculated.

Should the push toward separatism gather momentum, Alberta would be a prime candidate to break away. Though oil and natural gas have been its mainstays, it is now diversifying into other industries, such as petrochemicals. With its economy in good health, Alberta also has a flourishing construction industry, so its unemployment rate is less than half the national rate of 8 percent.

A more plausible alternative to a breakaway, though, might be the emergence of a Westerner as prime minister to supplant the easterners who have mostly held the job until now.

Written for International Writers Service.

Polling: Witchcraft as a Science

By Daniel S. Greenberg

WASHINGTON — The new sorcerers of U.S. politics, the opinion surveyors, claim skill at divining what Americans think, and now, in an introspective study of their craft, they have charted ways to become even better. But a look at that study and its many confessions of weakness invites wonder as to how an enterprise as intellectually threadbare as polling has managed to become the modern navigation system for public affairs.

The study, "Surveys of Subjective Phenomena," was carried out by a committee of academic and government survey specialists under the auspices of the high temple of U.S. science, the National Academy of Sciences.

Defining "subjective phenomena" as matters "directly observable only by the person being questioned" — such as ratings of presidential performance or assessments of personal happiness — the committee noted that surveys of such matters are important because "they can affect public discourse and public decision making." The committee added, "Surveys have become an ubiquitous component of social life in America," and reported estimates of 20 million survey interviews a year in the United States.

Properly performed and interpreted — the committee concedes they often are not — how reliable are these surveys? The answer, provided for public consumption in a plain-language summary of two scholarly volumes soon to be published, provides ample grounds for dismay.

The committee reports that, while surveys have "notable (and not well-understood) effects on the public... there exist numerous causes for concern both about common practices and also about the foundation of basic knowledge on which contemporary practices rest."

In regard to the first concern, the committee said that surveys so easily lend themselves to political manipulation through loaded questions and selective release of findings that the misuse problem might be the subject of a separate inquiry. But even assuming

high ethical standards, it is evident from the committee's observations that the best intentioned, executed and interpreted surveys may be more in the realm of witchcraft than science.

Noting that the "conceptual foundations for much ongoing survey activity are not firm," the committee reports that "the process by which respondents interpret survey questions and formulate answers to them is not yet well understood."

What is known is that seemingly trivial changes in wording can produce big shifts in responses, as can the sequence in which questions are asked. For example, in one classic experiment, 54 percent answered "yes" when asked, "Do you think the United States should forbid public speeches against democracy?" When "forbid" was changed to "not allow," 75 percent answered "no."

The committee reported that the interviewer's techniques and manner can have an effect on the outcome of the interview. Once the results are in, "a great deal in the way of 'psychologizing' seems to be involved in the interpretation of survey data, but the psychological theory involved is almost wholly implicit and incoherent."

These and similar findings are the work of a friendly committee that considers polling a worthy endeavor and wants to improve its reliability.

For census taking and planning for public health, housing and schooling, surveys are, of course, indispensable. It is their insinuation into politics — under the false colors of scientific technique — that warrants serious concern. Even this friendly committee observes: "Because poll and survey results can be manipulated and because of the resources needed to conduct them, one must question the claim that these methods necessarily lead to the democratization of political and social decision making."

The writer is editor and publisher of an independent newsletter, Science & Government Report.

Class Bias, Reduced Opportunities in U.S. Education Cuts

By Stephen Klaidman

WASHINGTON — In the United States, unlike Western Europe, much of the cost of a university education is paid for directly out of the pockets of parents. With the annual cost at more than \$12,000 a year at many good private universities, more and more of the middle class is being priced out of the market.

That may not be so terrible for all students, as there are four public universities in the United States for every private institution, and they are substantially cheaper.

But it could be very bad for the private universities. At the turn of the century, the ratio was exactly the opposite of what it is now. For every public university there were four private schools. The change has been taking place at a rate of about 1 percent a year.

This is of great concern to administrators and educators in the private system. They fear that Reaganomics and the anti-aid-to-education bias of the Reagan administration will produce further reductions in the number of private colleges.

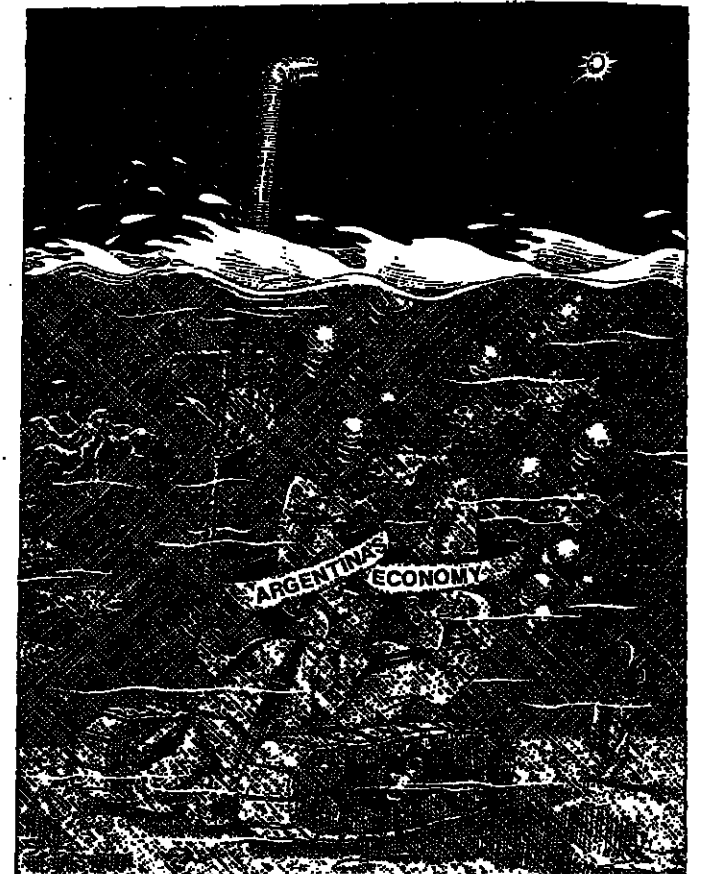
The problem in the United States is much different from that faced by Western European countries. Higher education in much of Europe is still primarily for an elite. In Britain, for example, only

12.5 percent of all 18-year-olds go to a university. Those Europeans who do go, though, are heavily subsidized. They generally pay no tuition, and they get some combination of grants, loans, subsidized food and lodging, and tax breaks.

In the United States, more than 50 percent of high school graduates attend universities. A few get grants, but for the most part their parents pay for the student's tuition, which is based on income. For practical purposes, families with incomes above \$30,000 a year do not qualify.

European governments may be forced during hard times to cut direct aid to universities, which would result in reductions in faculty or sometimes in fewer places for students. But most students would still be able to attend, and at a relatively little cost.

In the United States, the ability to get a subsidized loan can be the difference between attending or not attending a university for hundreds of thousands of young people. That is in good measure why the U.S. education establishment is so vehemently opposed to President Reagan's efforts to save money by raising the cost of some stu-



"They must be scared to death by now."

Letters

Albion Response

Regarding Eric Erman's letter (JHT, April 22): His glib assertion that Albion has often dragged her feet before the fray is one thing, but to accuse her of doing so, as he puts it "in the last great unpleasantness," is quite another. I would ask him who was the first country to declare war on Hitler in 1939, and who for a year defied the German dictator alone in 1940-41? Albion wasn't exactly doing the Can Can but it certainly wasn't the soft shoe shuffle. I shudder to imagine the state of Danish culture today without Albion's footwork in the grim days of 1939-45.

NICHOLAS FITTON,
Issy-les-Moulineaux, France.

their first armored division. Their arms come from Eastern Europe, also their advisers and administrators. Soon they will become the principal force within Iran.

3. The salvation of Iran can only come from within. There are numerous networks, mainly nationalistic, fighting from within Iran against this regime. The Western media ignore them. If these patriotic groups received even a tenth of the interest and help that the West accorded to Khomeini not long ago, they would be capable of taking the upper hand in the situation.

H. NAHAVANDI,
Paris

Economic Sanctions

One of the causes of the First World War was that the Austro-Hungarian Monarchy wanted to weaken and punish Serbia for her propaganda to promote the secession-movements of the South-Slavic nationalities in the southern parts of Austria and of Hungary. The monarchy employed prohibitive measures against the import of Serbian goods, a policy that was conducive to the war, most wars have economic causes. The hostile policy of the U.S. government against the Soviet Union and Poland goes far beyond than did the monarchy against Serbia. The U.S.A. tries to force its allies — and even neutrals — to employ identical commercial, financial, technical and cultural measures against these two countries; such a harsh policy would in the past have already led to a war; it would lead to it now if there were no deterrence of the nuclear, chemical and biological arms.

ROBERT MAJOR,
Vienna.

Soviet Influence

I thoroughly approve Mr. William Safire's analysis (JHT, Mar. 6): The big American press has finally started to perceive that Soviet influence is being established in Iran; and that in fact, the Sovietization of Iran is already well advanced. I would however like to stress three points:

1. Apart from their efforts to Sovietize Iran, under cover of a false Islamic fundamentalism and through their agents disguised as ayatollahs, the Russians are at present trying to make a breakthrough towards Baluchistan. They are very active on both sides of the border. This will eventually lead them to the warm waters of the Indian Ocean, and will also allow them to destabilize Pakistan.

2. By rapidly reinforcing and building up the Revolutionary Guards, the Tehran regime tries to counterbalance the little power left in the armed forces. The Revolutionary Guards have just acquired

licts with the basic focus of U.S. educational policy for generations. It also takes no account of the advantages to society of giving the brightest students, irrespective of family income, the best educational opportunities.

There is no question that the extremely high real cost of money in the United States has made it much more expensive to subsidize student loans. But who has calculated the real cost of further cuts in the number of private universities and the loss of several hundred thousand graduates annually?

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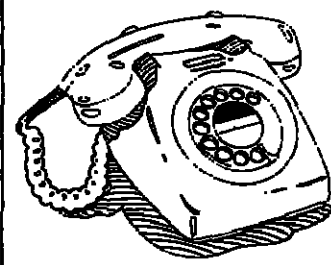
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Banking and Finance in ITALY

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post
APRIL, 1982

Limitations Sought On Borrowing Abroad

Special to the IHT

ROME — Italy has begun to take steps to limit the size and rate of growth of its enormous foreign borrowing.

With \$33 billion owed in medium- and long-term loans and \$13 billion outstanding in short-term loans, Italy is far and away the most indebted of any industrialized country. Moreover, it ranks well ahead of any socialist economy, including Poland (\$26 billion) in terms of foreign debts, and, if the developing countries are considered, it ranks third in the world, trailing only Brazil and Mexico.

But whereas Eastern European and some developing countries are now being shut out of the credit markets, Italy still has access to them. Its borrowing needs, meanwhile, are still expanding. "The Euroarea is awash with liquidity," says Mario Sarcinelli, director general of the Bank of Italy, "and Italy is still regarded as a good borrower with no debt service problems."

Mr. Sarcinelli's observation, supported by other Italian banking and government sources, may come as a surprise.

Euroarea magazine, for example, recently dropped Italy to 31st from 16th place among all countries in terms of credit risk. Italian loans on the Euroarea are now being given an average "spread" of 0.58 percent above the London interbank offered rate (Libor), the highest among major industrialized countries (Britain's average spread is 0.31 percent and France's 0.38 percent).

But Italy is still regarded as a good credit risk, sources say, because of the inherent dynamism of its economy. Furthermore, economic statistics about Italy are notoriously misleading, and there is a widespread belief that the country has the capacity for significant, long-term productive growth.

Three months ago, Mr. Sarcinelli said that Italy would be borrowing a further \$6.5 billion in 1982. Now he is revising that figure slightly upward, Italy, he says,

will need to borrow \$4 billion this year to refinance debts coming due and will require an additional \$3 billion to \$5 billion in new loans, for a total of \$7 billion-\$9 billion.

Italy borrowed \$2.7 billion in 1978, \$3.6 billion in 1979, \$7.1 billion in 1980 and \$10 billion in 1981. This rapid increase in foreign borrowing, sources say, is caused primarily by two factors:

• The worsening of Italy's balance-of-payments situation since 1979.

• The fact that the continued rise of the government deficit, which, combined with ceilings established by the Bank of Italy on the amount of money banks can loan out, has forced potential borrowers to look abroad as domestic credit sources have been depleted.

How much more money can Italy afford to borrow? "We're already badly over-borrowed," one bank economist said, "and we will probably go over \$60 billion in the next few years. This we might be able to handle, but I don't think we can afford to double the amount we owe now."

The Treasury Ministry and the Bank of Italy recently set up a "consultation system" — sometimes called a "queuing system" — for approving foreign loan requests above \$100 million. Every two months, representatives of the two bodies meet with potential borrowers, usually state-owned companies or agencies, to discuss market developments and prospects. Loan requests are assigned priorities — by consensus if possible. The balance sheet of a prospective borrower is an important consideration, sources say, but not the only one.

'Equilibrium' Sought

One goal, says Mr. Sarcinelli, who is largely responsible for setting up and administering the consultation system, is to establish "equilibrium" in loans coming due from year to year.

"The Treasury," he says, "won't allow a degree of indebtedness over a given time frame which cannot be fully serviced in that period."



Italy's central bank, on the Via Nazionale.

Otherwise, the transfer of interest would go way up and Italy would begin to have some of the same problems suffered by less developed countries, which have to struggle constantly with balance-of-payments problems." He estimates that Italy will be paying \$3.5 billion abroad to service its loans until 1984 and \$4 billion a year after that.

Variable Rates

A second goal is to take out future loans, whenever possible, in Deutsche marks rather than in dollars. At present, three-fourths of Italy's foreign loans are denominated in dollars. Since 1979, when the recent borrowing spree began, the dollar has increased in value to more than 1,300 lire from 800 lire. As Italy must use lire to purchase dollars to repay its dollar-denominated loans, this has meant, in effect, that it has been paying an additional 20-60 percent on its loans solely because of the dollar's gains against the lire.

Loans with fixed interest rates, given today's high-interest climate,

are virtually rejected out of hand. More than 90 percent of Italy's recent foreign loans have carried variable or floating interest rates.

Another way in which Italy is trying to reduce the impact of its foreign borrowings is by increasing foreign assets of its own, particularly by expanding export credits. In this way, the money received from Italy's borrowers could be used to pay its creditors.

A list of the nation's major borrowers abroad in 1981 reveals the degree to which state-owned companies, with large debts of their own, are involved in foreign borrowing: ENEL, the state utility, \$1.65 billion; ENI, the state energy and chemical company, \$1.35 billion; Cassa per il Mezzogiorno, the state fund for developing the south and for distributing earthquake relief money, \$1.1 billion; Ferrovie dello Stato, the state railroad, \$700 million; Levimer, the development bank for southern Italy, \$400 million; IMI, the government long-term credit agency, \$375 million;

(Continued on Page 10S)

As Problems Confront Policy-Makers

Nation Still Banking on Tight Money

By Robert Wazack

ROME — Cabinets come and go in Italy, and with them the ministers — of budget, treasury and finance — who bear the political responsibility for various aspects of economic policy. But there is a consensus that the real repository of economic wisdom lies elsewhere.

Midway between the parliament and the ministry stands a three-story 19th-century building, flanked by palm trees, that since 1893 has housed Italy's central bank.

Like most central banks, the Bank of Italy on Rome's heavily trafficked Via Nazionale regulates monetary and credit policy, defends the lira, and regulates the country's banking system.

But in a country characterized by political instability, over the years it has come to be regarded as one of the most, if not the most, powerful central banks in Europe. Seen, since its inception, as a pillar of tradition, its governors — seven in this century — have been technocrats emerging from Italy's economic establishment.

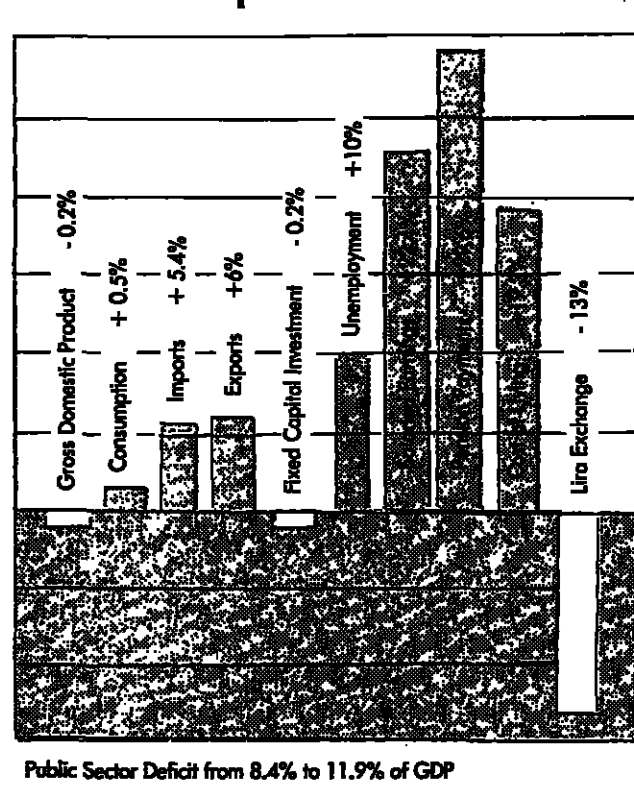
A bastion of pragmatism rather than of conservatism, bank officials have been trying, since 1979, to reel in a headstrong, overheated economy by means of a restrictive monetary and credit policy that to the outside observer is strongly reminiscent of the monetarism adhered to elsewhere.

The bank's present governor, Dr. Carlo Ciampi, has kept the discount rate at 19 percent since March of 1981, when it was raised from 16.5 percent.

The credit ceiling, the limit on the total amount that all banks are allowed to lend, was 30.76 trillion lire in 1981. The central bank, exercising its right to continue to impose the ceiling, increased it by 14.6 percent to 35.24 trillion for 1982. Following the Bank of Italy's lead, the Italian Banking Association held the prime rate at 22.5 percent from March, 1981, until March 1982, when a modest reduction to 21.75 percent was permitted.

There are negative signs for the economy along with the positive ones. And what is crucial about

How the Italian Economy Fared In 1981 Compared With 1980



Public Sector Deficit from 8.4% to 11.9% of GDP

This tight-money policy has brought some success. Inflation, for example, which reached 22 percent in 1980, dropped to 20.6 percent last June, to 18 percent in December and to an annual rate of 16.1 percent this March. Since 1961, the government's goal for the end of 1982, Italy now finds itself in the rather unusual position of having arrived somewhere nine months early instead of a few years too late.

There are negative signs for the economy along with the positive ones. And what is crucial about

these negative signs is that they are occurring in those areas that Dr. Ciampi has indicated as the most important ones for the recovery of the economy.

The first of these is the government deficit, which Treasury Minister Nino Andreatta is struggling to hold to 50 trillion lire this year, but which seems more likely to approach 55-60 trillion lire.

Wage increases, which last year amounted to 7 percent in real terms, are a second problem. Italy's unions have so far resisted all government attempts to modify li-

aly's scale mobile, or quarterly wage indexation system, and after eight months of fruitless talks, discussions have now broken down, leaving the government with a series of difficult contract negotiations.

Inventories Down

A third disturbing sign is that Italian businesses, which have been rapidly running down their inventories in the last several months, may soon begin trying to restock them, possibly provoking a new round of inflation. In this kind of atmosphere, the bank's strict monetary and credit policies are likely to be maintained indefinitely.

In trying to defend the somewhat fragile lira against other currencies, the Bank of Italy has been increasingly forced to draw upon its reserves, which have dropped from \$48.9 billion in December to \$47.9 billion in January and \$46.8 billion in February. On January 31, reserves consisted of \$8.23 billion in European Currency Units, \$9.56 billion in foreign currencies and \$29.99 billion in gold.

Further pressure on the lira has come from the necessity to repay foreign loans and from a negative balance of trade.

In February, Italy suffered a record monthly balance-of-trade deficit of \$2.22 billion. For January and February together, the trade deficit was \$3.4 billion. During this period, however, Italy recorded a surplus in all goods, except oil, of \$265 million, a surplus wiped out by a net oil deficit of \$3.67 billion.

Oil Bill Rising

A recent decline in oil prices has been canceled out by the dollar's gains against the lira, with the effect that Italy's oil bill is still rising. The lira was devalued by 6 percent against other European Monetary System currencies in March, 1981, and by a further 3 percent in October of the same year. While it has declined dramatically against the dollar since, it

(Continued on Page 10S)

'A Delicate Phase of Transition...'

Giorgio La Malfa is Italy's minister of budget and economic planning.

By Giorgio La Malfa

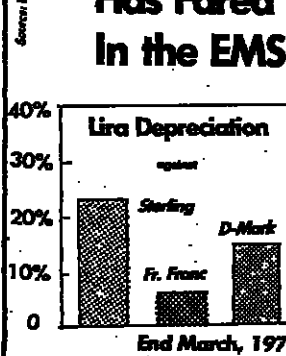
ROME — The economies of Western Europe are in a delicate phase of transition. A decade of enormous economic upheavals, two oil crises, devaluations and revaluations of key currencies, high interest rates and the rise of new industrial societies have created the need for profound economic adjustments.

Italy, where effects of the changing lira-dollar exchange rate have simply demonstrated the vulnerability of the economy to international influences, is no exception.

Some encouraging indicators suggest that, compared to last year, 1982 will be a year of greater stability. But serious problems persist that call for vigorous medium-term policies.

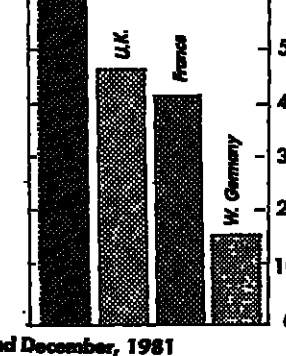
Once again, as in 1963, 1974 and 1976, the current account of the Italian balance of payments has shown great sensitivity to restrictive demand policies. Although for 1981 as a whole the estimated current-account deficit is expected to

How Italy Has Fared In the EMS



End March, 1979, to end December, 1981

Italy Inflation



1979-1981

remain high — at 2.3 percent of gross domestic product — a remarkable improvement was registered in the course of last year.

Between June and December, the previous trend of faster growing imports than exports was reversed, with exports exceeding imports by about 19 percentage points. In real terms, exports grew

by about 6 percent while imports fell by 5 percent, leading forecasters to revise downward the expected current-account deficit for 1982.

From 6,500 billion lire to 2,500 billion lire. And while this figure may be on the optimistic side, there is every reason to expect the deficit this year to be less than 1 percent of gross domestic product.

The improvement in the current-account deficit allowed the government to lift a compulsory deposit on imports earlier than was scheduled. In addition, the level of foreign-exchange holdings — which over the first five months of the year had declined by almost 50 percent, to \$5.5 billion — rose by the end of 1981 to \$9.7 billion.

Another positive sign is the slowdown in inflation. The rate of increase in consumer prices declined from 21.3 percent in December, 1980, to 18.1 percent in December, 1981, and by the end of February, 1982, there was a further drop to 16 percent.

Practically Stagnant

It cannot be denied, however, that the improvement in the current account balance and the slowdown of inflation were achieved at significant economic and social cost.

After two years of growth at 4 to 5 percent, in real terms, last year the GDP was practically stagnant. Unemployment, now affecting 2.3

(Continued on Page 10S)

Banks Meet Competition With Adaptability

ROME — All last year, Italian bankers complained vociferously about "disintermediation," the process by which bank deposits are diminished because potential depositors choose to do something else with their money. An impressive and unprecedented total of three-fourths of all new savings is now going to buy treasury bills called BOTs and CCTs, and other related government money market instruments.

The consequences of this trend have been dramatic. In 1980, with an inflation rate of about 22 percent in Italy, bank deposits grew by only 13 percent. In 1981, when inflation advanced at only a slightly lower speed, the growth in deposits slid to 9.1 percent.

Profits Increasing

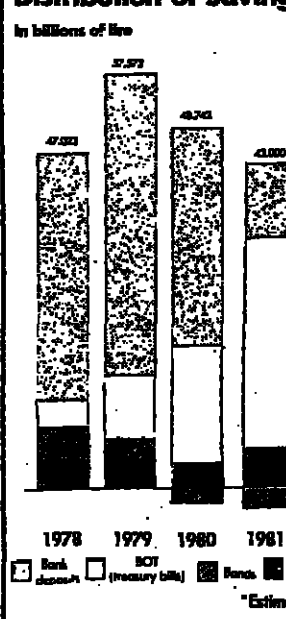
In real terms, therefore, deposits have been falling by about 10 percent over the last two years.

And the trend is continuing. On Feb. 1, 1982, according to the Bank of Italy, total banking deposits in the country stood at 278.5 trillion, a drop of 2.8 percent from January.

Yet, in the last few weeks, one Italian bank after another has announced significant increases in net profits for 1981, increases averaging about 50 percent to 60 percent above those posted in 1980. Given the decline in deposits, the general slump being felt by the Italian economy and the continuing credit squeeze being applied by the Bank of Italy, the performance is stunning.

From the saver's point of view,

Distribution of Savings



* Estimated

it is easy to see why Italians are buying BOTs and other government certificates instead of putting their money into the banks.

BOTs are not subject to the same 20-percent withholding tax as is the interest earned on bank deposits. Moreover, the interest rates they earn are a lot higher.

In 1981, while the interest paid on various three-month, six-month and 12-month BOTs varied between 18.04 and 22.04 percent, bank deposits were paying an average of only 13.33 to 13.44 percent.

with maximums of between 18.73 and 19.02 percent. And in practice, interest rates on bank deposits often fall well below 10 percent.

How then, in this kind of financial climate, have the banks been able to generate such a high level of profits? Part banking and government sources point to three underlying reasons.

First, there is a large differential, or "spread," between what banks have been able to charge as interest on loans and that which they have paid out to depositors. The average spread in 1981 went from a low of 11.67 percent in February to a high of 12.67 percent in May. The prime rate for the last 10 months of last year stood at 22.5 percent, dropping to its present level, 21.75 percent, only on March 2 of this year. The spread between the prime rate and the maximum interest on deposits varied between a low of 3.3 percent in December to a high of 4.31 percent in April.

However, actual interest rates often reached 27 to 28 percent, and rates as high as 30 percent were not uncommon, particularly in southern Italy. These spreads, sources say, more than compensated for declines in deposits.

Expanded Services

A second reason for increased profits is that the banks quickly began expanding their range of services, most notably by moving into such para-banking areas as factoring, leasing and bankers' acceptances, operations that the Italian banking system had heretofore been slow to adopt.

Today, such para-banking activity is booming. According to a recent databank study, total para-banking operations in Italy jumped from a level of 1.7 trillion lire in 1978 to 6.8 trillion lire in 1981.

A third reason for the boom is that Italian banks have increased their operations abroad, both in terms of new branches and expanding services and with regard to financing activities by Italian companies in foreign countries.

In engineering, for example, Italian companies have been very successful in winning contracts abroad, often building projects that they are unable to realize at home because of bureaucratic restrictions. And Italian banks have increasingly stepped in to finance such deals.

Despite never-ending discussions of major banking reforms in Italy, sources say that no major structural changes or no major revision of the 1936 banking law are likely to occur in the near future.

Potential Changes

However, many lesser reforms are now at various stages in the governmental process. Many of them are either responses to the current situation of declining deposits or are attempts to redress such endemic problems as a lack of interbank communications, an overload of employees and various restrictive rules and regulations.

Such potential changes include abolishing the withholding tax on bank deposit interest earnings;

(Continued on Page 10S)

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Banking and Finance in ITALY

Vatican Is Said to Plan a Modification of Its Financial Structure

By Sari Gilbert

VATICAN CITY — Pope John Paul II has reportedly decided that earnings by the Institute for Religious Works, generally known as the Vatican bank, will no longer be used for the economic support of the Vatican's central government.

The implications of this decision, which preceded a two-day meeting in March by a special budgetary commission of 15 cardinals, are significant for the church's central administration, which is believed to have relied on yearly contributions from the bank amounting from 10 billion to 20 billion lire to help defray its huge operating deficits.

For Vatican administrators, it

means some economic rationalization — better use of the income from the investments and properties managed by APSA, the administration of the patrimony of the Holy See, and, if possible, a reorganization of jurisdictions that would transfer some expenditures (such as for the Vatican Radio or the Vatican newspaper *L'Osservatore Romano*) from the administration of Vatican City to the central government of the church.

Peter's Pence

It would also mean greater reliance in the future on Peter's Pence — the voluntary contribution made by Roman Catholics to the pope and first instituted to ease the church's financial difficulties more than 100 years ago — and in

general on the generosity of the faithful, including local churches and religious institutions.

But the decision also suggests some changes, if not in direction at least in attitude, for the 40-year-old institute itself. In one sense it is a return to the origins, since the exclusive function of its grandparent, the Sacred Congregation for Pious Causes, which was set up in 1887 by Pope Leo XIII, was to collect and manage money for the needs of the universal church.

But according to Vatican experts like Benny Lai, a historian and journalist, the move to reduce the institute's financial burden is also designed to represent an additional guard against new involvements in highly speculative financial operations that in the past

represented a risk on both financial and ethical grounds.

Although official details have never been publicly revealed, it is well known that the Vatican suffered significant losses in the collapse of Michele Sindona's financial empire in the early 1970s, as well as a blot on its reputation. Several Vatican bankers who sat on the boards of Sindona's banks have been charged with fraud in relation to the Sicilian financier's bankruptcy.

Masonic Scandal

More recently the Italian papers have reported Vatican financial involvement in the holdings of Milan financier Roberto Calvi, who last spring was convicted of illegal capital exports and who has also been implicated in the P-2 Masonic scandal and charged with a key role in the tangled affairs of the Rizzoli publishing empire.

As a result, the president of the bank, Archbishop Paul Marcinkus from Cicero, Ill., has become a favorite target of at least part of the Italian press.

There are recurring rumors in the Italian press regarding the archbishop's eventual replacement at the bank. But the tall, tough-speaking Chicagoan appears to have the pontiff's confidence. Recently appointed president of the pontifical commission for the state of Vatican City, that is, head of the Vatican government, he is soon expected to be made a cardinal and either left in charge of the bank or, after hand-picking a successor, made an adviser.

The pope's decision to use the bank's profits exclusively for the universal church's needs, which include subsidies for religious institutes, missionary work, charities and rescue operations — has thus appeared to some analysts as designed to reduce the pressure that in the past may have encouraged wheeling and dealing.

Monuments, Art Works

But it does not make the IOR any less important in the Vatican's financial empire. Considering the fact that much of the Holy See's riches consist of priceless monuments, buildings and art works that can never be sold and thereby transformed into liquid assets, the bulk of the church's wealth is clearly in the hands of the bank.

The IOR's assets are not included in the annual budget that the prefecture of economic affairs prepares for the pope, but press estimates of its worth have run as high as \$25 billion.

Located within the Vatican

walls in the medieval *torrione*, or tower, of Nicolo V, the bank is believed to have at least 10,000 depositors, all of whom are (according to the bank's mandate to look after and manage the monies destined for religious works) supposed to have promised "all or part" of the capital invested to religious goals.

The depositors include nuns and priests. Vatican residents, a goodly but unknown proportion of the world's 100,000 Roman Catholic institutions — and the Vatican secretariat of state itself.

But, according to an inside source, at least 10 percent of the bank's clients are Italian private individuals willing to accept the religious donation requirement in return for the chance to take advantage of the bank's foreign status.

Higher Interest Rates

Sitting on Vatican soil, the bank is not bound by Italian laws and currency restrictions. It offers the depositor higher interest rates that are not subject to the Italian state's 20-percent withholding tax on interest and accounts in foreign currency. And, above all, it affords a freedom of capital movement that since 1976 is prohibited by law in Italy.

Although it has also received innumerable outright donations, not to mention the capital received between 1914 and 1939 from the Benedictine and Plan foundations, the bank's wealth stems, like that of any other successful bank, from the skillful use of its depositors' funds.

Set up in its present form by Pius XII in 1941, substantial money was channeled into Italian reconstruction projects after World War II. The IOR thus carved a significant role for itself in banks, insurance companies, chemicals, textiles, heavy and light industry, engineering, pharmaceuticals, real estate and navigation.

Throughout the 1960s, the Vatican's policy was to invest heavily in Italy, wherever possible buying a 51-percent interest. Subsequently, political and economic instability, as well as growing criticisms of the church's role, are said to have led to a policy of disinvestment in Italy, limited to smaller, noncon-

trolling participations and to the gradual construction of a portfolio that is said to be heavy in top European and American companies.

The only bank now outrightly owned by the IOR is reportedly the Banca Romana per la Svizzera, in which the Banco di Roma owns the other 49 percent. In Italy, the IOR still has an interest in Banca Cattolica Veneta, Banca Provinciale Lombarda and Banco di San Gimignano e San Prospero.

Lateran Pacts

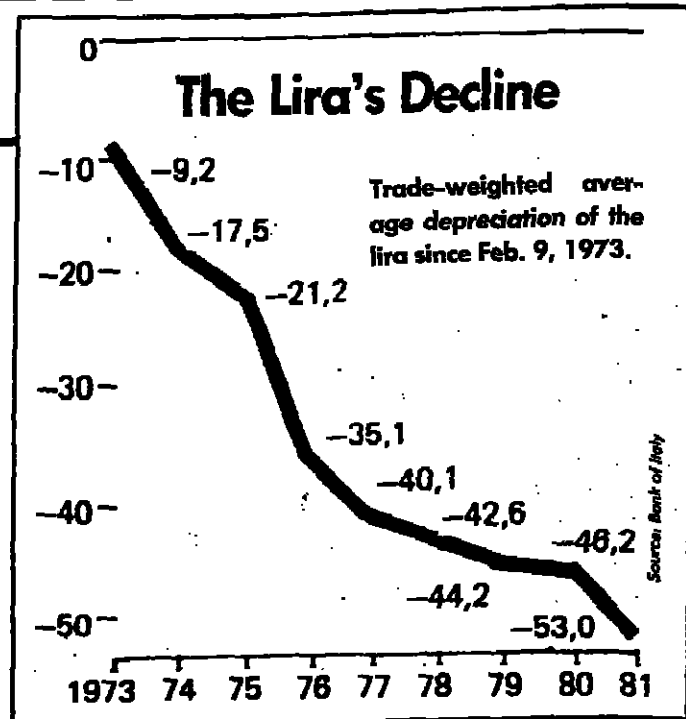
With the secretary of state as a client, the bank no doubt also has indirect access to the other side of the Vatican's financial wealth, that which derives from the reparations paid to it by the Italian state upon the conclusion of the 1929 Lateran Pacts.

That treaty and concordat, which in effect ended the state of hostility that began when Italian troops seized Rome in 1870, putting an end to the pope's temporal rule, assigned to the Vatican 1 billion lire in 5-percent government bonds and 750 million lire in cash. At the time that was the equivalent of about \$90 million, and the money was invested by Vatican banker Bernardino Nogara in foreign exchange, gold and property (the Vatican is said to own 5,000 apartments here, vast hectares of land and scores of palazzi).

This wealth, however, has not been sufficient to prevent the Vatican's daily operating costs from running into the red. In the last few years, costs, including salaries and pensions for 5,179, have generally exceeded by at least \$20 million a year the earnings from rents, dividends and investments deriving from the sale of stamps and coins and tickets to the Vatican museums.

The Vatican first revealed budget figures for the Holy See in 1979 when it disclosed a deficit of \$20.1 million. In 1981 the deficit was \$26 million, and for this year it is projected at more than \$30 million.

Sari Gilbert, an American based in Rome, has contributed frequently to the *International Herald Tribune*.



Banking on Tight Money

(Continued from Page 9S)

has achieved some stability against other EMS currencies.

One reason for this is that speculation against the lira has been greatly reduced. While other EMS currencies are allowed to fluctuate up or down by a margin of 2.25 percent, the lira has been given a margin of 6 percent, something that has helped discourage speculation. For the moment, therefore, there appears to be no imminent danger of another devaluation.

In its third area of responsibility, the supervision of Italy's overall banking system, the bank has been regarded by many observers as conservative, overly restrictive and unimaginative. A freeze on the creation of new banks, for example, that has been in effect since 1960, and much of the seemingly unnecessary paperwork that takes place in Italian banks are the result of Bank of Italy regulations. Then there are anomalies in the geographic distribution of banks, such as the fact that Milan, with 1.7 million people, has 72 banks, while Turin, with 1.2 million people, has only six.

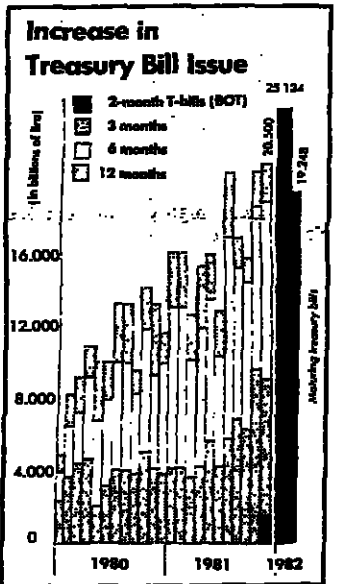
Some sources see two reasons for the central bank's apparent resistance to change in this area. One is the desire to preserve local bank autonomy by protecting rural banks from what it regards as unfair competition from the big city

banks. As a result, Italy, which has just over 1,000 banks in all, finds itself with about 650 rural banks that together handle less than 1 percent of the country's total banking transactions.

Another reason is that the bank feels that competition can best be preserved from within a regulated environment. To open Italian banking up to a laissez-faire climate, sources say, would be to permit larger banks to swallow smaller ones, thereby retarding true competition. The positive result of this laissez-faire attitude has been the preservation of local autonomy and competition. But a result has been to delay interbank communication and leave Italy trailing behind many other industrial countries in bank services.

With 11 of Italy's top 15 banks owned by the government, the Bank of Italy, of necessity, has had to interact more closely with the government than do central banks in many other countries. Yet it has managed, even under Mussolini, to preserve its independence. Like the Vatican, it is part shadow government and part super-ego, reminding the ever-extravagant Italians that there is a time to take one's medicine as well as a time to play in the sun.

Robert Wazeka, an American, is a free-lance correspondent based in Rome.



Adaptability

(Continued from Page 9S)

essing of controls on uses to which bank deposits may be put; the creation of domestic mutual funds; posting of consistent, non-negotiable interest rates for bank deposits; resolving the question of *parificalo*, or standing before the law, which currently allows public bank employees to be tried for such "offenses" as making bad loans (something for which private bank employees are not liable); ending of bank secrecy; eliminating the Italian Exchange Office (UIO) as an adjunct of the Bank of Italy; opening up company balance sheets and minutes of stockholders' meetings to the Bank of Italy as a way of preventing the spread of interlocking directorates and phony trusts; permitting private and institutional investors to acquire a limited capital interest in savings banks, something that is now prohibited; and giving the Bank of Italy more control over para-banking activities.

Even such limited reforms, however, are likely to take time to put into effect. The banks, until they are given the means to attract new deposits, will have to rely on adaptation and innovation in order to survive. So far they are doing quite well.

— ROBERT WAZEKA

Curbs Sought

(Continued from Page 9S)

SIP, the state telephone company, \$350 million, and Finmeccanica (IRI), the state steel company, \$300 million. Together, these eight borrowed \$6.225 billion in 1981.

Banking sources estimate that the troubled steel and chemical industries might need to borrow \$10 billion to \$20 billion at home and abroad over the next decade for needed new investments. In addition, some portion of Italy's ambitious 10-year, \$70-billion energy program will need to be financed by foreign loans.

It is likely, in short, that Italy will need to increase its already considerable foreign borrowing over the next few years. And there is apparently enough money available in the Euromarkets to do it. The country thus faces the difficult choice of deciding if it wants to go in this direction — and if so, to what extent.

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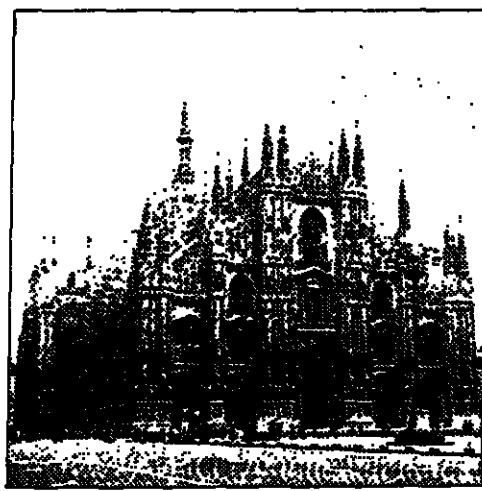
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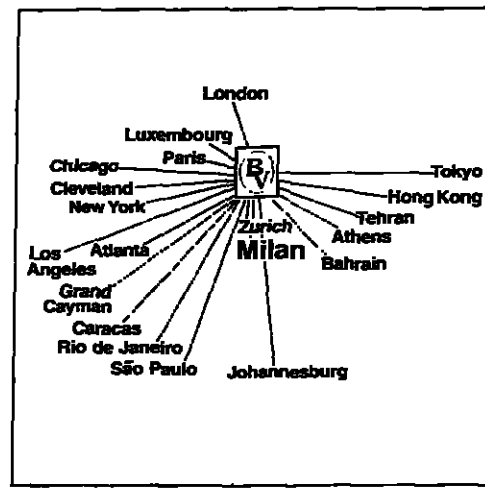


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'A Delicate Phase of Transition...'

(Continued from Page 9S)

million workers, rose to 10 percent of the labor force — with unemployment among young first-time job seekers up by 26.3 percent over 1980 — and it is expected to rise further before an industrial recovery begins later in the year. Investments also declined by 0.2 percent, compared with 1980.

In the short term, therefore, the Italian government's policy objectives are to reduce inflation further — to a 1982 average of 16 percent and to 13 percent by the end of this year — and to target GDP growth for 1982 at 2 percent, in real terms.

To achieve this, the government plans to keep the public-sector borrowing requirements to within 50 trillion lire, or 10 percent of GDP, a decline from the 12.3-percent level reached in 1981.

This is deemed compatible with a target of 73 trillion lire for total domestic credit expansion. The government is also actively trying to convince labor unions and business groups to keep wage-renewal agreements within the range of the projected inflation target.

These policy objectives should be viewed, however, as part of a longer-term strategy designed to bring inflation down to the average level of the major industrial countries and to carry forward a process of real economic adjustment. A three-year plan for the 1982-to-1984 period sets no specific targets for macroeconomic variables but calls for policy actions designed to increase real GDP growth, reduce inflation, improve the balance of payments on current account and better the conditions of the southern regions in relation to the rest of the country.

With regard to public finance and the public-sector borrowing requirement, the plan seeks to stabilize the ratio of fiscal intake to GDP, avoiding fiscal drag; to reduce progressively the ratio of current public expenditure to GDP and to speed up investment expenditures by the public sector from the current 4 percent to between 8 and 10 percent. A committee of experts will be set up to use cost-benefit analysis to evaluate all future investment projects in terms of their contribution to increased productivity.

The plan also calls for decreasing rates of growth in the money supply, while agreements with the trade unions should keep the cost of labor in line with the declining inflation rate. There is a general orientation in favor of deregulating the economy and reducing the extension of the vast public enterprise system.

The major thrust of the plan is to bring about significant economic adjustments by increased reliance on fiscal and wage policies and reduced use of monetary policy as an instrument of insuring economic stability. The major question is whether at present the plan is politically feasible.

There is no doubt that the present government, led by Giovanni Spadolini, the first non-Christian Democrat to become prime minister in more than 30 years, has had considerable merit in the turnaround of the economy between 1981 and 1982. But only the future can say whether the five-party coalition will be able to provide the political consensus needed for a more fundamental change of economic policy.

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BUSINESS NEWS BRIEFS

Compiled From Agency Dispatches

Woolworth Says Losses Widened

NEW YORK — F.W. Woolworth & Co. said Thursday that it expects to report a sharper loss for the first quarter than the reported 10-cent-a-share deficit a year earlier. The company plans to report first quarter earnings next month.

Woolworth cited weaker sales at domestic Woolworth and Woolco stores and at outlets abroad, pressure on profit margins and unfavorable currency translations.

The company said the first quarter is the least important quarter and not indicative of overall year. The company restated its earnings for the 1981 first quarter after it adopted a new accounting standard for foreign currency translation. It reported a loss of 23 cents a share for the 1981 first quarter before the restatement.

Tenneco Outlines Divestment Plan

HOUSTON — Tenneco plans a divestment program this year that will generate more than \$400 million for repayment of debt, Chairman J.L. Ketselsen told the annual meeting Thursday.

In addition to the previously announced sale of the company's Canadian oil and gas properties, he said Tenneco had agreed to sell the Bush Boake Allen flavors and fragrances unit of its Albright & Wilson Ltd. subsidiary in Britain to Union Carbide. He did not disclose the price. Mr. Ketselsen said these two divestitures will account for about half of the program planned for 1982.

Fluor to Plan Chinese Mine Project

PEKING — Fluor has signed a contract with the Chinese Coal Ministry to plan the modernization of an open-pit coal and oil-shale mine.

Fluor officials would not disclose the contract's value but said the engineering and design services would cost about \$50 million if done for an American mine. The officials said they hope the contract will be the first in a series.

Fluor said that the project will roughly double the output of the Fushun West mine in the northeastern Chinese province of Liaoning, to about five million tons of coal and eight million tons of oil shale a year. Fushun, China's biggest operating open-pit mine, began production in 1914 and now uses Japanese equipment installed in the 1930s.

Exchange Rates Hurt Nestlé Sales

ZURICH — Nestlé said Thursday that its group sales in the first quarter were down 7 percent from a year earlier.

The food company's managing director, Helmut Maucher, said at a press conference that if exchange rates had remained constant, sales would have been 14 percent higher. He predicted that the company's profit for 1982 will not be dramatically different from 1981's 964 million Swiss francs (\$494 million).

Maytag Plans to Acquire Jenn-Air

NEWTON, Iowa — Maytag said Thursday that it has agreed in principle to acquire Jenn-Air and Jenn Industries from United Technologies.

The appliance maker did not disclose the price but said it would pay in cash and notes. Jenn-Air makes electric ranges, and Jenn Industries produces ventilation equipment.

Copper Firm Pleads Force Majeure

NEW YORK — Southern Peru Copper Corp. declared force majeure on blister copper shipments because of strikes at its Peruvian mines and plants, a spokesman said Thursday.

Products covered by the declaration include blister copper produced at the company's Ilo smelter and molybdenite concentrate produced at its Toquepala mine and concentrator, the spokesman said. Molybdenite concentrate produced at the Cuzco mine and concentrator is not affected.

Harvester Obtains New Union Pact

CHICAGO — Negotiators for the United Auto Workers and International Harvester Co. have agreed on the main points of a contract intended to help revive the financially ailing equipment manufacturer, a company spokesman said Thursday.

The announcement by a Harvester spokesman came more than 13 hours after talks between Harvester and the UAW had been scheduled to end. He gave no details of the proposed contract. But the Chicago Tribune cited sources as saying the proposed contract might involve the closing of several plants and the dropping of the 3-percent annual pay increase built into recent UAW-Harvester contracts.

Both sides spent three weeks in talks on a company request that the union give up \$100 million in wages and benefits through September, when the current contract expires. Sources said this week that the company more recently asked for concessions amounting to \$170 million through 1984.

Workers Recalled

The aim of the talks, like those held with major automakers, is to come up with a contract that will provide labor cost savings for the company and job security for the workers. Some 30,000 employees — 10,000 of whom are on indefinite layoff — are affected.

Harvester announced later Thursday that it was recalling 4,150 laid-off workers at four plants.

Harvester, the largest U.S. manufacturer of heavy farm and construction equipment, lost \$1.1 billion in the last two fiscal years. Analysts say the recession, high interest rates, low commodity prices and a bitter six-month strike two

U.S. Firms Grow Concerned for Argentine Ties

By Lydia Chavez

New York Times Service

NEW YORK — As the Falkland Islands crisis worsens, U.S. companies, which have doubled their investment in Argentina since the mid-1970s, have become increasingly concerned about their operations in that country.

Argentine offices have been told by their parent companies in the United States to restrict travel in Argentina and to maintain a lower profile. These steps are being taken in order not to exacerbate any anti-American feelings that may arise because of the United States government's historical political commitments to Britain.

U.S. companies have some \$2.4 billion in direct investment in Argentina, and as the negotiations go on without any settlement, executives are becoming more pessimistic. The threat by Britain's Prime Minister Margaret Thatcher of further military action has heightened corporate worries.

"We are considering Argentina a temporary war zone," said Dale Frye, manager of corporate security for Miles Laboratories. Miles, which has a sales office in Buenos Aires, has restricted travel in the country.

Some companies have already taken limited precautions against the possibility of trade retaliation by Argentina. Suppliers to U.S. subsidiaries in Argentina have asked for letters of credit, or bank guarantees, to ensure that payments from the Argentine-based subsidiaries will be made, according to Frank Bunch, assistant director for the Latin America division of Du Pont.

As for major U.S. banks, they are quietly sitting tight to see how the crisis is resolved. With loans to the Argentine government and residents of \$9.2 billion, up from only \$1.7 billion in 1975, these banks have perhaps the largest investment in the country.

Both the First National Bank of Boston and Chase Manhattan have had significant

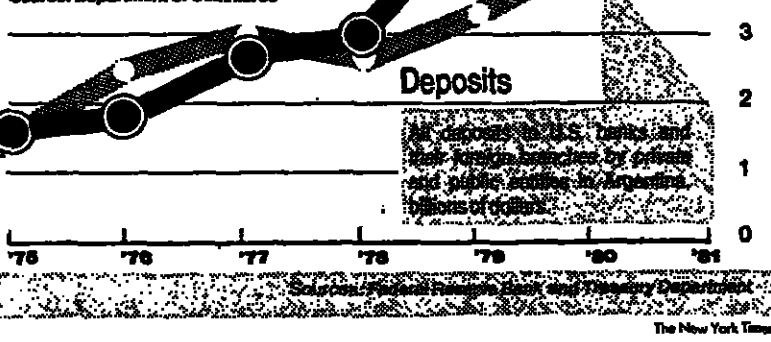
Argentina's Economic Ties with the U.S.

Leading American Companies in Argentina

U.S. companies with subsidiaries in Argentina. Ranked by 1980 total sales of subsidiary in Argentina in millions of dollars, translated at year-end 1980 exchange rate.

Ford Motor Co.	1,903.4
Exxon	1,264.9
IBM	346.4
The Goodyear Tire & Rubber Co.	212.0
Swift & Co.	200.5
Coca-Cola	164.7
Union Carbide	109.2
Firestone Tire & Rubber Co.	108.8
Xerox	108.7
Deere & Co.	108.6
PepsiCo	106.5

Source: Department of Commerce



branch operations in Argentina. First National has 22 branches and more than \$1 billion in assets. Chase has 10 branch operations.

For the most part, bank executives declined to speak for attribution. "We have relations with both parties and we try to lean over backwards not to offend either one," an executive of one major bank said.

"Of course we are nervous," the Latin American specialist for a leading U.S. bank added. "The economy is going to suffer; there will be higher military imports, more capital flight, and foreign investment is going to be scared away. It all takes its toll."

Much more affected than U.S. interests are the British banks that have outstanding

(Continued on Page 15, Col. 7)

NYSE Prices Slip With Budget Talks Failure

From Agency Dispatches

NEW YORK — The inability of Congress and President Reagan to agree on a federal budget compromise caused prices on the New York Stock Exchange to drop sharply Thursday.

The Dow Jones industrial average slid seven points in the first hour, pulled back to a drop of about 3 1/4 at midday and then closed down 7.70 points at 844.94. Declines led advances, 980 to 430, as volume edged up to 51 million shares from 50.53 million.

Analysis said investors were also worried by a rise in some short-term interest rates and the continuing possibility that the Falkland Islands crisis will result in war.

Analysis said the main concern on Wall Street, however, was the lack of a federal budget accord. After a meeting between President Reagan and congressional leaders Wednesday, both sides of the disputes said they were separated by deep philosophical differences.

Analysis said investors set a long legislative battle on budget plans and in the meantime the financial markets are expected to

face continued uncertainty about future federal deficits and their impact on interest rates.

But other analysts said the failed budget negotiations merely intensified the profit-taking following the market's rally during the past six weeks.

"Markets find excuses to do what they think is appropriate anyway," Robert Stovall, Dean Witter Reynolds senior vice president, said. "The market had been in a rally for the past six weeks and the rally was looking for an excuse to rest. The political developments in Washington provided that."

Meanwhile, Manufacturers Hanover Trust and Continental Illinois National Bank & Trust raised their broker rates to 16 from 15 percent and Chemical Bank raised its rate to 16 1/2 percent.

In Washington, the Labor Department reported that business productivity rose at a 0.3-percent annual rate in the first quarter, reversing a plunge of 6.9 percent at an annual rate in the final 1981 quarter.

The report said the small gain in productivity resulted from a 3-percent drop in output and a 3.3-percent decline in working hours.

Dollar Plummets In Hectic Dealings

From Agency Dispatches

NEW YORK — The dollar fell sharply in hectic trading here Thursday morning after taking a sudden nosedive in European trading.

The drop was particularly sharp against the Deutsche mark. The U.S. currency was quoted in early trading in New York at 2.3385 marks, up from its low for the day of around 2.3350 but still well below the opening level of 2.3555.

Dealers were confused by the sudden rush of dollar selling. Some said it reflected a view that American interest rates are likely to fall soon, an expectation bolstered by marked slowing in U.S. inflation.

Other foreign exchange analysts, however, suggested that traders were paying less attention to interest rates, which have kept the dollar high for months, and focusing on economic fundamentals. On Wednesday, West Germany reported a record 6.4 billion-mark trade surplus for March. Meanwhile, the U.S. recession is persisting stubbornly.

Another factor that apparently helped the mark was a cut in time-deposit rates at major Swiss banks Thursday morning. The move brought the difference in the rate of return from investments in the two countries into sharper relief, some dealers said.

Analysis said the dollar's fall appeared to be steepened by selling emanating from Chicago's International Monetary Market, where some traders' charts called for dollar sales.

In early New York trading, the dollar remained firm against the Swiss franc. The U.S. currency was quoted at 1.9577 francs, compared with an opening of 1.9595 and Wednesday's close of 1.9510.

The pound rose to \$1.7957 from \$1.7830 at the opening and \$1.7850 Wednesday. The dollar also slipped to 235.82 yen from 237.70 at the opening and 237.57 Wednesday.

The dollar's drop came despite firmness in short-term U.S. interest rates. The rate on federal funds, reserves banks lend one another overnight, was quoted at 16 percent early Thursday. That was down from a high of 19 percent Wednesday, but the rate often fluctuates wildly on Wednesdays as banks settle their accounts for the week. Late Tuesday, the funds rate was quoted at 13.875 percent.

In late afternoon trading in Western European markets, the

dollar rapidly lost three pence against the mark to close at 2.3385 marks in Frankfurt, its lowest level since early March. The pound rose almost two cents to \$1.8010 from falling back, while other European currencies hardened in line with the trend.

Dealers said the late flurry in Europe had little to do with the British-Argentine confrontation over the Falkland Islands, which had held traders' attention earlier in the day.

In London, gold's price fell by \$3.25 an ounce between fixings in thin trading and ended the day at around \$388.75 an ounce.

Chrysler Sale Offsets Loss On Operations

The Associated Press

DETROIT — Chrysler reported Thursday that it had a profit of \$149.9 million in the first quarter, but the No. 3 U.S. automaker would have had a loss if it had not sold its profitable defense subsidiary.

Chrysler Chairman Lee A. Iacocca said the company recorded an \$89.1 million loss from operations in the first three months, but that was offset by the \$239 million it got for its tank production unit. A year ago, Chrysler had a loss of \$289.3 million for the first quarter.

Chrysler's results reduced industry-wide losses to \$128.2 million, just over a fifth of the \$600.6 million the industry lost in the first quarter of 1981.

On Wednesday, Ford Motor Co. reported a first-quarter loss of \$355.4 million. Two days earlier, General Motors announced a first-quarter profit of \$128.3 million, while American Motors said it lost \$51 million, compared with \$52.7 million in the 1981 quarter.

Chrysler, which lost \$475.6 million in 1981, last showed a quarterly profit in the second quarter of 1981 — \$11.6 million.

Mr. Iacocca said, "The company ended the quarter with \$895 million in cash and marketable securities on hand — the highest total in Chrysler's history."

The profit amounted to \$1.95 per share. Sales were up 11.5 percent, to \$2.51 billion.

Upside Domino Effect

Early N.Y. Risers That Will Keep Generating Growth

Vitality returned to the U.S. semiconductor industry while too many analysts were still belaboring haltingly Japanese threats and crash warnings; and the IOG moved accordingly into such hardware as Advanced Micro near \$17, Motorola near \$51 and Texas Instruments near \$75. Leveraging of positions via the sale of "put" options and purchase of calls at buy-signal levels pushed gains on such positions to 40 to 50 percent as soon as final March liquidation had been absorbed. By then IOG had begun moving progressively into shares of big systems builders such as HONEYWELL, IBM and NCR which will be users of new microchip configurations—often years ahead of Japanese designs which had caused all the bottom-area furor.

The systems makers must turn in sequence to builders of "OEM" equipment—the printers, disk drives and distributed entry systems made by companies such as Centronics, Datapoint and Storage Technology which have been phased accordingly into the IOG accumulatory process. As new networking and word processing procedures then are added to the overall drive toward full office automation, CPT, Datapoint, NBI and Wang enter the battle with an entire bull-market format thus having been under systematic development of a time when under-informed market commentators were still agonizing about output of the microchip. Up went the NYSE short interest to a record 94 million shares, with bears so hopelessly trapped in key makers of microcomputers, data modems and other components of the impending boom that IOG's technicians and managers were preparing for a domino-effect eruption on the upside. With the Dow on its way to 1250 in this process, IOG's strategists have been revising targets for future-market media targets for cotton and T-bonds to Gold and Silver that have begun following the turnaround; and in each week's IOG Growth report you'll find ideas and projections covering the whole range of growth-trended investment and speculative media. Send the coupon for complimentary coverage.

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Trade Development Bank

Shown at left, the head office of Trade Development Bank, Geneva, Swiss subsidiary of the Trade Development Bank Holding Group, Luxembourg. TDB is now the sixth largest commercial bank in Switzerland.



COMPANY REPORTS

Revenue and profits, in millions, are in local currencies unless otherwise indicated

Britain			
Year	1981	1980	1979
Revenue	1,100.0	1,220.0	1,100.0
Profits	42.2	54.9	42.2
Pre-tax profit			
1st Qu.	1982	1981	1980
Revenue	1,700.0	1,500.0	1,600.0
Profits	54.8	60.0	54.8
Imperial Chemical Ind.			
1st Qu.	1982	1981	1980
Revenue	1,700.0	1,500.0	1,600.0
Profits	54.8	60.0	54.8
Marks and Spencer			
Year	1981	1980	1979
Revenue	2,200.0	1,870.0	1,710.0
Profits	121.8	100.0	100.0
Canada			
Year	1981	1980	1979
Revenue	2,410.0	1,690.0	1,110.0
Profits	121.8	100.0	100.0
Bell Canada			
1st Qu.	1982	1981	1980
Revenue	2,410.0	1,690.0	1,110.0
Profits	121.8	100.0	100.0
Ford of Canada			
1st Qu.	1982	1981	1980
Revenue	1,490.0	1,420.0	1,420.0
Profits	100.0	54.8	54.8
France			
Year	1981	1980	1979
Revenue	143.7	85.4	85.4
Profits	143.7	85.4	85.4
United States			
Year	1981	1980	1979
Revenue	1,000.0	889.0	775.0
Profits	79.7	77.5	77.5
American Natural Resources			
1st Qu.	1982	1981	1980
Revenue	1,000.0	889.0	775.0
Profits	79.7	77.5	77.5
Chrysler			
1st Qu.	1982	1981	1980
Revenue	2,510.0	2,250.0	2,250.0
Profits	143.7	85.4	85.4
Dart and Kraft			
1st Qu.	1982	1981	1980
Revenue	2,410.0	1,690.0	1,110.0
Profits	121.8	100.0	100.0
Eastman Kodak			
1st Qu.	1982	1981	1980
Revenue	2,410.0	1,690.0	1,110.0
Profits	121.8	100.0	100.0
Johnson and Johnson			
1st Qu.	1982	1981	1980
Revenue	2,410.0	1,690.0	1,110.0
Profits	121.8	100.0	100.0
McGraw-Hill			
1st Qu.	1982	1981	1980
Revenue	2,410.0	1,690.0	1,110.0
Profits	121.8	100.0	100.0
PepsiCo			
1st Qu.	1982	1981	1980
Revenue	2,410.0	1,690.0	1,110.0
Profits	121.8	100.0	100.0
Tenneco			
1st Qu.	1982	1981	1980
Revenue	2,410.0	1,690.0	1,110.0
Profits	121.8	100.0	100.0
United Airlines			
1st Qu.	1982	1981	1980
Revenue	2,410.0	1,690.0	1,110.0
Profits	121.8	100.0	100.0
United Brands			
1st Qu.	1982	1981	1980
Revenue	2,410.0	1,690.0	1,110.0
Profits	121.8	100.0	100.0

Chinese Output Rose 4.5% in '81

PEKING — China's industrial and farm production grew 4.5 percent last year, the government said Thursday. Last December, Premier Zhao Ziyang estimated 1981's production growth at 3 percent.

The state statistical bureau said in its annual bulletin that China's trade deficit in 1981 narrowed to 10 million yuan (\$5.5 million) from nearly 2.8 billion yuan in 1980. Exports rose 18 percent in real, or inflation-adjusted, terms to 36.76 billion yuan, and imports grew 5 percent to 36.77 billion yuan.

But the bulletin said that productivity dropped 1.8 percent last year and that about 27.1 percent of the country's industrial enterprises had losses. "The economic results of industrial production as a whole were relatively poor," it said, adding that the quality of Chinese goods was still far from adequate.

Heavy industrial output dropped, while light industry showed an impressive increase, the bulletin said.

EEC Commission Proposes Extending Steel Output Cuts

BRUSSELS — Cuts in the European Economic Community's steel production must be extended because of plunging demand, the EEC Commission has decided.

A commission proposal for an 18-month extension of its power to impose the cuts was formally submitted to EEC governments Thursday. EEC officials said. Without an extension, the authority would expire June 30.

The proposal, drafted by Industry Commissioner Etienne Davignon, says that steel demand in the EEC this year "will be below 1981 levels, which were already extremely low." The document, adopted Wednesday, adds: "Export markets are depressed, and EEC steel exports in 1982 will be markedly lower than in 1981."

Apparently in a gesture toward EEC members who see an 18-month extension as too long, the commission said the measures could be ended earlier if circumstances warrant.

The proposal is generally gloomy about prospects for the EEC steel industry, which has lost

about 30 percent of its work force over the past seven years and is trying to regain competitiveness through a restructuring.

Diplomats from EEC countries were to review the proposal at meetings in Brussels Thursday and Friday. The proposal is to be submitted to EEC industry ministers Tuesday.

The emergency cuts, first imposed in October, 1980, are designed to avert disorder in the EEC steel market at a time when slumps in such major steel-using industries as construction and shipbuilding have threatened the existence of several companies.

The current restructuring program, involving all the major EEC steel industries, is designed to restore viability by 1985 by modernizing plants, shedding jobs and cutting capacity.

"There is still an enormous overcapacity in the EEC steel industry compared to the level of demand for steel," the commission proposal says. Commission officials say the EEC steel industry is working at 60 percent of capacity.

U.S. Aide's IBM Links Are Questioned Again

WASHINGTON — Well-informed government and private sources have added fuel to charges that Assistant Attorney General William F. Baxter should have dissociated himself from the International Business Machines antitrust case.

The sources said Wednesday that in 1978 Mr. Baxter, then a law professor at Stanford University, was one of three antitrust experts whom IBM urged the Justice Department to name to a panel to settle the government's antitrust suit against the computer maker. An IBM spokesman denied Thursday that the company had made such a recommendation.

In January, as a top Justice Department official, Mr. Baxter announced the dismissal of the IBM suit, saying it was without merit. Some critics of IBM said the latest charges are a further indication of a relationship between IBM and Mr. Baxter during the 1970s that should have caused Mr. Baxter to step aside from the IBM case once he joined the Justice Department.

Several months ago, the New York judge who was hearing the suit at the time of its dismissal disclosed that Mr. Baxter had done private consulting work for a law firm serving IBM and had failed to



William F. Baxter

source said. Both IBM and Mr. Baxter said earlier this week that he never knew about the proposal because it was not taken seriously by the department.

Justice department officials said the latest alleged link between Mr. Baxter and IBM would not jeopardize the dismissal of the antitrust suit.

High Interest Rates Divide Washington and Its Allies

(Continued from Page 1)

and between November and early April, it appreciated 10 percent. In February of this year, the mark rose 1.6 percent one week and fell 1.4 percent the next then climbed 1.6 percent the following week — fluctuations that mean havoc for importers and exporters.

But as Murray L. Weidenbaum, chairman of President Reagan's Council of Economic Advisors, told the Atlantic Institute seminar, the United States does not believe that intervention in the foreign exchange market is effective. The administration believes that the market, left to its own, will find the right rate.

This view runs counter to other expert opinion. Experts of every nationality agree that the exchange market gyrates from one extreme to its opposite, overshooting on the upside when a currency appreciates and overshooting just as dramatically on the downside when it depreciates. The "equilibrium rate" dear to theoreticians remains a theory.

But Washington's insistence that its economic policies are correct and that its noninterventionist foreign exchange policy is wisest leaves no room for assuaging Europe's pain.

If interest rates do fall by the June summit, there will be no problem. But if not, and Washington maintains its refusal to inter-

vene in the foreign exchange market, Europe will be forced to find its own solutions.

As Mr. Dini and Ulrich Steger, deputy chairman of the Bundesbank's committee for economic affairs, both warned Wednesday, the immediate danger is that Europe will move to insulate itself from the dollar's vicissitudes by erecting controls on capital flows and, ultimately, other protectionist measures.

"We will have an unhappy summit if the United States says it is going to stick to its current policy of high interest rates and nonintervention in the foreign exchange market," Mr. Steger warned, adding that it could lead to Europe's "decoupling from the impacts of U.S. economic policy."

But, insisting that he is an optimist, Mr. Steger said he was confident that "American pragmatism will win out over ideology," and that a confrontation between Europe and America will be avoided.

Future Trading on Comex Delayed

WASHINGTON — A temporary restraining order issued by a federal judge has thwarted the Commodity Exchange of New York's plans to begin trading futures contracts based on Standard & Poor's Composite Index of 500 stocks on Thursday.

Comex had scheduled the start of trading in its new contract, which it calls the Comex 500, after the Commodities Futures Trading Commission granted permission Wednesday. But shortly afterwards, Judge Milton Pollack of U.S. District Court in New York issued the restraining order on a copyright suit by S&P, thus delaying trading of the contracts pending a hearing scheduled for next Wednesday.

change began trading stock-index futures last week, after obtaining authorization from the futures commission. Comex had previously been denied a similar licensing agreement by S&P.

The S&P lawsuit is one of several such actions in the growing furor over stock-index futures. Last week, a judge dismissed a suit by the Kansas City Board of Trade to bar the commission from approving futures on stock indexes that might compete with Kansas City's Value Line Stock Index of nearly 1,700 issues.

The futures commission is scheduled to consider on May 11 a request by the Chicago Board of Trade, the largest of the futures exchanges, to trade in stock-index futures. This proposal, however, is being challenged in court by Dow Jones & Co., which contends that the exchange's contract is based on the Dow Jones stock indexes.

U.S. Companies Concerned For Argentine Subsidiaries

(Continued from Page 13)

loans to Argentina, which Ricardo Fox, the economic and commercial consul in New York for Argentina, estimated at \$5 billion. The British government froze Argentine assets in Britain.

In response, Argentine companies have not been repaying their British loans directly, but have been making their loan payments to an interest-bearing, dollar-denominated escrow account established at Argentina's central bank, the Banco de la Nacion.

The central bank has retained two U.S. lawyers, one a former Treasury Department official who helped administer the seizure of Iranian assets two years ago, to help with the financial problems arising from Britain's freeze and the implications for Argentina's debts throughout the world.

"We've been asked by the central bank to provide them with legal advice concerning their international financial obligations and their continuing program to meet them," said Richard J. Davis, one of the two lawyers from the New York firm of Weil, Gotshal & Manges.

Along with several other lawyers who handled the litigation arising out of the Iranian crisis, Mr. Davis suggested that Weil, Gotshal's principal role on the Argentine bank's behalf would be to reassure U.S. banks with outstanding loans to Argentina. These banks are worried about the effect of the British freeze and the cost on Argentina's already weak economy of waging war.

So far, no U.S. banks have reported that any loans are in default, and for the most part, the more than 200 U.S. businesses in Argentina, including Exxon, Standard Oil (Indiana), IBM and Coca-Cola, expect the dispute to be resolved without upsetting their businesses.

Ford Motor, which has the largest presence in Argentina and is the second-largest company there in terms of sales, has not altered its business practices, but is monitoring the situation closely.

"We are on the phone with them practically every day but no one has expressed the feeling that there is any anti-American sentiment," said John Tome, a Ford spokesman.

The only action the Argentine government has taken that directly affects U.S. companies was the imposition last week of some exchange controls. In the past, U.S. companies automatically transferred money from their account in Argentina to the United States or elsewhere.

Under the controls, however, a company has to go to the stock exchange and buy a peso-denominated bond for the amount that it plans to transfer abroad, said Mr. Fox. The bonds are then transferred and either sold by the company or held.

"The problem now is that if you try and cash the bond there is a much bigger discount," the Latin American banking specialist said. "Before they were very secure, but now if the government of Argentina goes down the drain, well then, you know it's not the next best thing to dollars."

Dow Jones Will Cease Publishing Book Digest

NEW YORK — Dow Jones & Co. has announced that it will cease publishing Book Digest after the June issue.

The company said Wednesday that it had not been able to sell the eight-year-old publication, which was acquired from Book Digest Co. in 1978 and has been operating at a loss. The magazine publishes condensed versions of best-selling books and has a monthly circulation of 400,000.

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

28th April, 1982

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Wood Gundy Limited

<p>Algemene Bank Nederland N.V.</p> <p>Bank Brussel Lambert N.V.</p> <p>Banque Générale de Luxembourg S.A.</p> <p>Banque de Neufilze, Schlumberger, Mallet</p> <p>Bayerische Vereinsbank Aktiengesellschaft</p> <p>CIBC Limited</p> <p>Effektenbank-Warburg Aktiengesellschaft</p> <p>Hambros Bank Limited</p> <p>Kidder, Peabody International Limited</p> <p>Lazard Brothers & Co., Ltd.</p> <p>Manufacturers Hanover Limited</p> <p>The Nikko Securities Co., (Europe) Ltd.</p> <p>Scandinavian Bank Limited</p> <p>Stranes, Turnbull & Co.</p> <p>Union Bank of Switzerland (Securities) Limited</p> <p>Westdeutsche Landesbank Girozentrale</p>	<p>Allied Irish Banks Limited</p> <p>Bank of Tokyo International Limited</p> <p>Banque Française du Commerce Extérieur</p> <p>Banque Internationale à Luxembourg S.A.</p> <p>Banque de l'Union Européenne</p> <p>Berliner Handels- und Frankfurter Bank</p> <p>Cazenove & Co.</p> <p>Chase Manhattan Limited</p> <p>Crédit Commercial de France</p> <p>Creditanstalt-Bankverein</p> <p>Girozentrale und Bank der Österreichischen Sparkassen</p> <p>Hill Samuel & Co. Limited</p> <p>The Hongkong Bank Group</p> <p>IBJ International Limited</p> <p>Kleinwort, Benson Limited</p> <p>Kreditbank S.A. Luxembourggoise</p> <p>Lehman Brothers Kuhn Loeb International, Inc.</p> <p>LTCB International Limited</p> <p>L. Messel & Co.</p> <p>Morgan Grenfell & Co. Limited</p> <p>Morgan Guaranty Ltd</p> <p>Nomura International Limited</p> <p>Norddeutsche Landesbank Girozentrale</p> <p>Société Générale de Banque S.A.</p> <p>Sumitomo Finance International</p> <p>Swiss Bank Corporation International Limited</p> <p>Vereins- und Westbank Aktiengesellschaft</p> <p>Williams & Glyn's Bank Limited</p> <p>Yamatane Securities Co., Ltd.</p>	<p>Bank of America International Limited</p> <p>Banque Paribas</p> <p>Baring Brothers & Co., Limited</p> <p>Chase Manhattan Limited</p> <p>Chemical Bank International Group</p> <p>Commerzbank Aktiengesellschaft</p> <p>County Bank Limited</p> <p>Creditanstalt-Bankverein</p> <p>Daiwa Bank (Capital Management) Ltd.</p> <p>Dillon, Read Overseas Corporation</p> <p>Robert Fleming & Co. Limited</p> <p>Fuji International Finance Limited</p> <p>Goldman Sachs International Corp.</p> <p>Hambros Bank Limited</p> <p>Kleinwort, Benson Limited</p> <p>Kuwait Investment Company (S.A.K.)</p> <p>National Bank of Abu Dhabi</p> <p>Nippon European Bank S.A.</p> <p>Okasan International (Europe) Limited</p> <p>Postbank</p> <p>J. Henry Schroder Wagg & Co. Limited</p> <p>Sanitomo Finance International</p> <p>Tokai Kyowa Morgan Grenfell Limited</p> <p>Yamatane Securities Co., Ltd.</p>
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U.S. COMMODITY PRICES

Chicago Futures

	Open	High	Low	Settle	Chg.
April 29, 1982					
WHEAT					
May	2.15	2.17	2.14	2.14	+0.04
June	2.14	2.16	2.13	2.13	+0.01
July	2.13	2.15	2.12	2.12	+0.01
Aug.	2.12	2.14	2.11	2.11	+0.01
Sept.	2.11	2.13	2.10	2.10	+0.01
Oct.	2.10	2.12	2.09	2.09	+0.01
Nov.	2.09	2.11	2.08	2.08	+0.01
Dec.	2.08	2.10	2.07	2.07	+0.01
Jan.	2.07	2.09	2.06	2.06	+0.01
Feb.	2.06	2.08	2.05	2.05	+0.01
Mar.	2.05	2.07	2.04	2.04	+0.01
Apr.	2.04	2.06	2.03	2.03	+0.01
May	2.03	2.05	2.02	2.02	+0.01
June	2.02	2.04	2.01	2.01	+0.01
July	2.01	2.03	2.00	2.00	+0.01
Aug.	2.00	2.02	1.99	1.99	+0.01
Sept.	1.99	2.01	1.98	1.98	+0.01
Oct.	1.98	2.00	1.97	1.97	+0.01
Nov.	1.97	1.99	1.96	1.96	+0.01
Dec.	1.96	1.98	1.95	1.95	+0.01
Jan.	1.95	1.97	1.94	1.94	+0.01
Feb.	1.94	1.96	1.93	1.93	+0.01
Mar.	1.93	1.95	1.92	1.92	+0.01
Apr.	1.92	1.94	1.91	1.91	+0.01
May	1.91	1.93	1.90	1.90	+0.01
June	1.90	1.92	1.89	1.89	+0.01
July	1.89	1.91	1.88	1.88	+0.01
Aug.	1.88	1.90	1.87	1.87	+0.01
Sept.	1.87	1.89	1.86	1.86	+0.01
Oct.	1.86	1.88	1.85	1.85	+0.01
Nov.	1.85	1.87	1.84	1.84	+0.01
Dec.	1.84	1.86	1.83	1.83	+0.01
Jan.	1.83	1.85	1.82	1.82	+0.01
Feb.	1.82	1.84	1.81	1.81	+0.01
Mar.	1.81	1.83	1.80	1.80	+0.01
Apr.	1.80	1.82	1.79	1.79	+0.01
May	1.79	1.81	1.78	1.78	+0.01
June	1.78	1.80	1.77	1.77	+0.01
July	1.77	1.79	1.76	1.76	+0.01
Aug.	1.76	1.78	1.75	1.75	+0.01
Sept.	1.75	1.77	1.74	1.74	+0.01
Oct.	1.74	1.76	1.73	1.73	+0.01
Nov.	1.73	1.75	1.72	1.72	+0.01
Dec.	1.72	1.74	1.71	1.71	+0.01
Jan.	1.71	1.73	1.70	1.70	+0.01
Feb.	1.70	1.72	1.69	1.69	+0.01
Mar.	1.69	1.71	1.68	1.68	+0.01
Apr.	1.68	1.70	1.67	1.67	+0.01
May	1.67	1.69	1.66	1.66	+0.01
June	1.66	1.68	1.65	1.65	+0.01
July	1.65	1.67	1.64	1.64	+0.01
Aug.	1.64	1.66	1.63	1.63	+0.01
Sept.	1.63	1.65	1.62	1.62	+0.01
Oct.	1.62	1.64	1.61	1.61	+0.01
Nov.	1.61	1.63	1.60	1.60	+0.01
Dec.	1.60	1.62	1.59	1.59	+0.01
Jan.	1.59	1.61	1.58	1.58	+0.01
Feb.	1.58	1.60	1.57	1.57	+0.01
Mar.	1.57	1.59	1.56	1.56	+0.01
Apr.	1.56	1.58	1.55	1.55	+0.01
May	1.55	1.57	1.54	1.54	+0.01
June	1.54	1.56	1.53	1.53	+0.01
July	1.53	1.55	1.52	1.52	+0.01
Aug.	1.52	1.54	1.51	1.51	+0.01
Sept.	1.51	1.53	1.50	1.50	+0.01
Oct.	1.50	1.52	1.49	1.49	+0.01
Nov.	1.49	1.51	1.48	1.48	+0.01
Dec.	1.48	1.50	1.47	1.47	+0.01
Jan.	1.47	1.49	1.46	1.46	+0.01
Feb.	1.46	1.48	1.45	1.45	+0.01
Mar.	1.45	1.47	1.44	1.44	+0.01
Apr.	1.44	1.46	1.43	1.43	+0.01
May	1.43	1.45	1.42	1.42	+0.01
June	1.42	1.44	1.41	1.41	+0.01
July	1.41	1.43	1.40	1.40	+0.01
Aug.	1.40	1.42	1.39	1.39	+0.01
Sept.	1.39	1.41	1.38	1.38	+0.01
Oct.	1.38	1.40	1.37	1.37	+0.01
Nov.	1.37	1.39	1.36	1.36	+0.01
Dec.	1.36	1.38	1.35	1.35	+0.01
Jan.	1.35	1.37	1.34	1.34	+0.01
Feb.	1.34	1.36	1.33	1.33	+0.01
Mar.	1.33	1.35	1.32	1.32	+0.01
Apr.	1.32	1.34	1.31	1.31	+0.01
May	1.31	1.33	1.30	1.30	+0.01
June	1.30	1.32	1.29	1.29	+0.01
July	1.29	1.31	1.28	1.28	+0.01
Aug.	1.28	1.30	1.27	1.27	+0.01
Sept.	1.27	1.29	1.26	1.26	+0.01
Oct.	1.26	1.28	1.25	1.25	+0.01
Nov.	1.25	1.27	1.24	1.24	+0.01
Dec.	1.24	1.26	1.23	1.23	+0.01
Jan.	1.23	1.25	1.22	1.22	+0.01
Feb.	1.22	1.24	1.21	1.21	+0.01
Mar.	1.21	1.23	1.20	1.20	+0.01
Apr.	1.20	1.22	1.19	1.19	+0.01
May	1.19	1.21	1.18	1.18	+0.01
June	1.18	1.20	1.17	1.17	+0.01
July	1.17	1.19	1.16	1.16	+0.01
Aug.	1.16	1.18	1.15	1.15	+0.01
Sept.	1.15	1.17	1.14	1.14	+0.01
Oct.	1.14	1.16	1.13	1.13	+0.01
Nov.	1.13	1.15	1.12	1.12	+0.01
Dec.	1.12	1.14	1.11	1.11	+0.01
Jan.	1.11	1.13	1.10	1.10	+0.01
Feb.	1.10	1.12	1.09	1.09	+0.01
Mar.	1.09	1.11	1.08	1.08	+0.01
Apr.	1.08	1.10	1.07	1.07	+0.01
May	1.07	1.09	1.06	1.06	+0.01
June	1.06	1.08	1.05	1.05	+0.01
July	1.05	1.07	1.04	1.04	+0.01
Aug.	1.04	1.06	1.03	1.03	+0.01
Sept.	1.03	1.05	1.02	1.02	+0.01
Oct.	1.02	1.04	1.01	1.01	+0.01
Nov.	1.01	1.03	1.00	1.00	+0.01
Dec.	1.00	1.02	0.99	0.99	+0.01
Jan.	0.99	1.01	0.98	0.98	+0.01
Feb.	0.98	1.00	0.97	0.97	+0.01
Mar.	0.97	0.99	0.96	0.96	+0.01
Apr.	0.96	0.98	0.95	0.95	+0.01
May	0.95	0.97	0.94	0.94	+0.01
June	0.94	0.96	0.93	0.93	+0.01
July	0.93	0.95	0.92	0.92	+0.01
Aug.	0.92	0.94	0.91	0.91	+0.01
Sept.	0.91	0.93	0.90	0.90	+0.01
Oct.	0.90	0.92	0.89	0.89	+0.01
Nov.	0.89	0.91	0.88	0.88	+0.01
Dec.	0.88	0.90	0.87	0.87	+0.01
Jan.	0.87	0.89	0.86	0.86	+0.01
Feb.	0.86	0.88	0.85	0.85	+0.01
Mar.	0.85	0.87	0.84	0.84	+0.01
Apr.	0.84	0.86	0.83	0.83	+0.01
May	0.83	0.85	0.82	0.82	+0.01
June	0.82	0.84	0.81	0.81	+0.01
July	0.81	0.83	0.80	0.80	+0.01
Aug.	0.80	0.82	0.79	0.79	+0.01
Sept.	0.79	0.81	0.78	0.78	+0.01
Oct.	0.78	0.80	0.77	0.77	+0.01
Nov.	0.77	0.79	0.76	0.76	+0.01
Dec.	0.76	0.78	0.75	0.75	+0.01
Jan.	0.75	0.77	0.74	0.74	+0.01
Feb.	0.74	0.76	0.73	0.73	+0.01
Mar.	0.73	0.75	0.72	0.72	+0.01
Apr.	0.72	0.74	0.71	0.71	+0.01
May	0.71	0.73	0.70	0.70	+0.01
June	0.70	0.72	0.69	0.69	+0.01
July	0.69	0.71	0.68	0.68	+0.01
Aug.	0.68	0.70	0.67	0.67	+0.01
Sept.	0.67	0.69	0.66	0.66	+0.01
Oct.	0.66	0.68	0.65	0.65	+0.01
Nov.	0.65	0.67	0.64	0.64	+0.01
Dec.	0.64	0.66	0.63	0.63	+0.01
Jan.	0.63	0.65	0.62	0.62	+0.01
Feb.	0.62	0.64	0.61	0.61	+0.01
Mar.	0.61	0.63	0.60	0.60	+0.01
Apr.	0.60	0.62	0.59	0.59	+0.01
May	0.59	0.61	0.58	0.58	+0.01
June	0.58	0.60	0.57	0.57	+0.01
July	0.57	0.59	0.56	0.56	+0.01
Aug.	0.56	0.58	0.55	0.55	+0.01
Sept.	0.55	0.57	0.54	0.54	+0.01
Oct.	0.54	0.56	0.53	0.53	+0.01
Nov.	0.53	0.55	0.52	0.52	+0.01
Dec.	0.52	0.54	0.51	0.51	+0.01
Jan.	0.51	0.53	0.50	0.50	+0.01
Feb.	0.50	0.52	0.49	0.49	+0.01
Mar.	0.49	0.51	0.48	0.48	+0.01
Apr.	0.48	0.50	0.47	0.47	+0.01
May	0.47	0.49	0.46	0.46	+0.01
June	0.46	0.48	0.45	0.45	+0.01
July	0.45	0.47	0.44	0.44	+0.01
Aug.	0.44	0.46	0.43	0.43	+0.01
Sept.	0.43	0.45	0.42	0.42	+0.01
Oct.	0.42	0.44	0.41	0.41	+0.01
Nov.	0.41	0.43	0.40	0.40	+0.01
Dec.	0.40	0.42	0.39	0.39	+0.01
Jan.	0.39	0.41	0.38	0.38	+0.01
Feb.	0.38	0.40	0.37	0.37	+0.01
Mar.	0.37	0.39	0.36	0.36	+0.01
Apr.	0.36	0.38	0.35	0.35	+0.01
May	0.35	0.37	0.34	0.34	+0.01
June	0.34	0.36	0.33	0.33	+0.01
July	0.33	0.35	0.32	0.32	+0.01
Aug.	0.32	0.34	0.31	0.31	+0.01
Sept.	0.31	0.33	0.30	0.30	+0.01
Oct.	0.30	0.32	0.29	0.29	+0.01
Nov.	0.29	0.31	0.28	0.28	+0.01
Dec.	0.28	0.30	0.27	0.27	+0.01
Jan.	0.27	0.29	0.26	0.26	+0.01
Feb.	0.26	0.28	0.25	0.25	+0.01
Mar.	0.25	0.27	0.24	0.24	+0.01
Apr.	0.24	0.26	0.23	0.23	+0.01
May	0.23	0.25	0.22	0.22	+0.01
June	0.22	0.24	0.21	0.21	+0.01
July	0.21	0.23	0.20	0.20	+0.01
Aug.	0.20	0.22	0.19	0.19	+0.01
Sept.	0.19	0.21	0.18	0.18	+0.01
Oct.	0.18	0.20	0.17	0.17	+0.01
Nov.	0.17	0.19	0.16	0.16	+0.01
Dec.	0.16	0.18	0.15	0.15	+0.01
Jan.	0.15	0.17	0.14	0.14	+0.01
Feb.	0.14	0.16	0.13	0.13	+0.01
Mar.	0.13	0.15	0.12	0.12	+0.01
Apr.	0.12	0.14	0.11	0.11	+0.01
May	0.11	0.13	0.10	0.10	+0.01

Bullets Win on Final Shot; Series Tied

The Associated Press

BOSTON — Frank Johnson's three-point field goal with three seconds left clinched a 26-point victory for the Washington Bullets over the Los Angeles Lakers on Wednesday night, evening their National Basketball Association playoff series at one game each. The series was to move to Washington for games Saturday and Sunday.

"I've made some big ones before, but this one was the biggest," Johnson said. "The guys told me in the huddle to take it, and as soon as I let it go I knew it was in."

In the other quarterfinal series, Philadelphia topped Milwaukee, 120-108; Los Angeles downed Phoenix, 117-98; and Seattle beat San Antonio, 114-99.

Johnson scored 24 of his points in the second half, including 13 in the final period when the Celtics tied most of the way.

Boston wiped out an 84-80 deficit with 10 straight points to take a 90-84 lead with 3:16 remaining in the game. The Celtics led by from one to five points but could not shake the Bullets.

The Celtics went ahead, 101-98, with 1:06 to play when Nate Archibald made one of two free throws. Greg Ballard's two foul shots with 40 seconds to go cut the lead to one before Robert Parish made one of two free throws for Boston with 33 seconds left.

But with 10 seconds remaining, Parish was called for an offensive foul. The Bullets worked the ball to Johnson, who launched a 30-footer that swished through for the winning points. M.L. Carr missed a desperation jumper at the buzzer for Boston.

Spencer Haywood added 26 points for Washington, and Jeff Ruland had 19. Boston was paced by Larry Bird with 26 and Kevin McHale with 20.

The Celtics coach, Bill Fitch, praised Johnson for the effort but also thought the rookie had some luck. "You've got to admit it was a great shot," Fitch said. "He got off a lofted prayer and it was answered."

Gene Shue, coach of the Bullets, said: "The ball was in Frank's hands and he delivered. He's the best with the ball in that situation. We played so well we wanted to win it right there."

In Seattle, Fred Williams scored 34 points and Fred Brown helped pick up a sluggish Seattle offense in the second quarter to spark the SuperSonics to a 114-99 triumph over the Spurs. The series stands even at 1-1, and the two teams were to travel to San Antonio, Texas, for Games 3 and 4 on Friday and Sunday.

Jack Sikma added 26 points and Lonnie Shelton finished with 15 defense that held Phoenix under 100 points for the second consecutive game.

Norm Nixon added 21 points for Los Angeles while Jamaal Wilkes had 19 and Michael Cooper contributed 16.

In Philadelphia, Andrew Toney scored 31 points and Julius Erving added 24 to spark the 76ers to a 120-108 victory over the Bucks and a 2-0 advantage in their series, which was to move to Milwaukee for Games 3 and 4 Saturday and Sunday.

Toney scored 16 points and Erving 14 as the 76ers raced to a 57-44 halftime lead. The Bucks crept to within 67-61 on a basket by Marques Johnson with 5:32 left in the third quarter, but two baskets by Erving, one by Toney and back-to-back three-point plays by Bob Jones and Caldwell Jones fueled a 20-9 surge during the remainder of the period and Philadelphia led, 87-70, entering the fourth quarter.

Bobby Jones added 13, Darryl Dawkins 12 and Caldwell Jones 10 for the 76ers. Brian Winters led Milwaukee with 21 and Marques Johnson and Mickey Johnson each added 19.

In Inglewood, Calif., Kareem Abdul-Jabbar scored 24 points and Magic Johnson added 19 points, 12 rebounds and 12 assists to lead Los Angeles, giving the Lakers a 117-98 victory over the Suns and a 2-0 lead in their series. The third and fourth games were to be played in Phoenix, Ariz., Friday and Sunday.

Abdul-Jabbar scored 22 of his points in the first three periods, hitting 11 of 19 field-goal attempts. Johnson also had five steals to lead a tough Los Angeles defense.

NBA PLAYOFFS

for the Sonics, who shot 51 percent from the field for the game. George Garvin led the Spurs with 24 points.

McRae Drives Royals Past the Red Sox, 8-5

From Agency Dispatches

BOSTON — Hal McRae drove in five runs with a homer and a double Wednesday night to lead the Kansas City Royals to an 8-5 victory over Boston, snapping the Red Sox' eight-game winning streak.

The Royals jumped on the Red Sox starter and loser, John Tudor (3-1), in the first inning. George Brett, playing left field for the first time in his major league career, hit a two-run double. Amos Otis hit a home run with a walk, and McRae hit Tudor's 0-2 pitch off the right-field foul pole for his fourth homer of the season. Dennis Werth and Greg Pryor also had RBI singles in the inning.

Dennis Leonard (2-1) went the distance for the victory.

The Red Sox pulled to 5-2 in the bottom of the inning. Jim Rice's single scored Jerry Remy, who had walked, and Dwight Evans came around on Glenn Hoffman's infield out.

The Royals made it 8-2 in the second inning. Brett reached base on Remy's error, and Otis singled to put the Royals ahead 8-1. McRae then scored on Don Wakelin's single to lead off the third.

Boston scored two more in the second on RBI doubles by Rick Miller and Gary Allenson, and added its final run in the third on Dave Stapleton's sacrifice fly.

Baseball Roundup

In New York, Tommy John (1-3) pitched a six-hitter for his first victory of the season, and Ken Griffey, Oscar Gamble and Dave Winfield hit consecutive RBI doubles in the third inning, leading New York to a 6-0 triumph over California.

The loss ended the Angels' four-game winning streak and also marked only the third time in the last 13 games that California pitchers have allowed more than two runs.

Blue Jays 6, Rangers 4

In Toronto, Rance Mullins delivered a two-run pinch-hit single in the seventh inning to lift Toronto to a 6-4 triumph over Texas and extend the Rangers' losing streak to six games. Jim Clancy (1-2) earned his first victory since Sept. 19, scattering nine hits over seven innings.

Indians 6, Mariners 1

In Cleveland, Rick Manning and Jack Perconte knocked in two runs each in a six-run first inning to help Cleveland snap a four-game losing streak with a 6-1 trouncing of Seattle. The Indians chased rookie right-hander Mike Moore (1-3) by sending 10 batters to the plate in the first inning.

Brewers 2, White Sox 1

In Milwaukee, Jim Gantner collected two of four hits allowed by Britt Burns, and his second single of the game drove in the winning run in the seventh inning as Milwaukee edged Chicago, 2-1. Ben Oglivie hit his fifth homer of the year for Milwaukee.

Twins 4, Tigers 2

In Minneapolis, Gary Gaetti hit a two-run homer, and Randy Johnson added a bases-empty shot to propel Minnesota to a 4-2 victory over Detroit. Pete Redfern (2-2) yielded seven hits in six innings. Ron Davis cleaned up for his second save. Howard Johnson hit his first major-league homer in the sixth for the Tigers.

A's 6, Orioles 5

In Baltimore, Cliff Johnson hit a two-run homer and Dwayne Murphy added a bases-empty shot to propel the Oakland Athletics to a 6-5 triumph over the Orioles.

Dodgers Waive Goltz, Must Pay \$1.5 Million

United Press International

LOS ANGELES — Dave Goltz, who signed a six-year contract worth \$3 million two years ago, has been placed on waivers by the Los Angeles Dodgers for the purpose of giving him his unconditional release.

The Dodgers must pay Goltz the remaining \$1.5 million on his contract. — For the 1983-84 season, it is believed to be the largest contract buy-out in baseball history, slipping the Dodgers' \$13.6-million payroll to pitcher Don Stanhouse last year.

Transactions

Baseball

MINNESOTA TWINS—Sent Dave Engle, outfielder, to Toledo for outfielder, Colby Ryan. Released pitcher, Tom Toles.

CHICAGO CUBS—Released Hector Cruz, outfielder, from Iowa of the American Association. Sent Herman Seelie, pitcher, to Toledo.

LOS ANGELES DODGERS—Traded Lee Hernandez, infielder, to the Baltimore Orioles for Jose Morales, catcher. Released Ron Kraybill, outfielder, to the Albuquerque of the Pacific Coast League.

NEW ENGLAND PATRIOTS—Traded Rod Smith, linebacker, to the Seattle Seahawks for a 1983 first-round draft pick and a 1984 second-round draft pick.

NEW YORK GIANTS—Traded Larry Allen, offensive tackle, to the Houston Oilers for a 1983 first-round draft pick and a 1984 second-round draft pick.

ST. LOUIS CARDINALS—Traded Tim Lincecum, pitcher, to the Cincinnati Reds for a 1983 first-round draft pick and a 1984 second-round draft pick.

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El Baba Established As Kentucky Favorite

United Press International

LOUISVILLE, Ky. — El Baba, winner of the Louisiana Derby, and Air Forces Wm, champion in the Wood Memorial, drew favorable post positions Thursday and were established as the early favorites to win Saturday's 108th running of the Kentucky Derby.

Cupecoy's Joy, the only filly in the 20-horse field, drew the rail position, a spot that will insure her status as a Derby starter. "That a girl," said Roberto Perez, the owner. "She's in. You can't pray for better than this."

El Baba, who will be ridden by Don Brumfield as the 5-2 favorite on the morning line, drew the No. 4 post, and Air Forces Wm, with Angel Cordero up, drew the No. 7 position as the 7-2 second choice.

The Field

"I'm very pleased," said Dewey Smith, El Baba's trainer. "We've got a lot of speed on the inside and that will carry us away from the crowd. We just didn't want to be on the extreme outside."

Muttering, the winner of the Santa Anita Derby earlier this month, landed the No. 11 post and was labeled a 4-1 third choice under Laffit Pincus.

The complete order of the Derby field, starting from the rail, will be: Cupecoy's Joy, Bobi Style, New Discovery, El Baba, Royal Roberto, Wavering Monarch, Air Forces One, Laser Light, Music Leader, Reinvested, Muttering, Real Dare, Rock Steady, Water Bank, Gallant, Wolfie's Rascal, Star Gallant, Cassarella, Gato Del Sol and Majestic Prince.

Those inclined to witicism have already applied their craft: the 108th running of thoroughbred racing's most prized contest has been dubbed "The Demolition Derby."

Early Misfortunes

The road to Churchill Downs has been a rugged one for some of the nation's 3-year-olds. Timely Wishes' battle with colic, Hostage's fractured sesamoid bone and the decision to hold back Linkage for the Preakness has cost the Kentucky Derby some creditable performers.

The misfortunes of those colts, all from the East and each considered a favorite at one time to win Saturday's "Limp for the Roses," also has placed emphasis on the strong California contingent of Muttering, Cassarella, the one-eyed wonder, and Gato Del Sol.

As in last year's Derby, which drew 21 starters after a court-declared Churchill's now modified 20-horse rule to be illegal, trainers have been most concerned with post positions and a bruising stampede out of the starting gate.

"Anything can happen when they shake those pills," said Smith of the draw. "You don't know which one is coming up. You don't want to be too far outside or you sure can get hung up. Wherever they put us, we've got to go."

Borg Winning in Egypt

United Press International

CAIRO — Bjorn Borg beat Ismail El-Shafie, 6-4, 6-2, Thursday in the four-master \$130,000 championship organized by the Egyptian Lawn Tennis Federation. Peter McNamara beat Vitas Gerulaitis, 6-2, 6-3, and was to meet Borg in Friday's final.

Hints of Compromise in Auto Racing

The Associated Press

CASABLANCA, Morocco — The toughest problems of the Grand Prix racing circuit went under discussion Thursday with hints of compromise in the air.

The Executive Committee of the International Auto Sports Federation met in Casablanca for a session of a recent decision by the sports' highest court of appeal. It also was tackling the subsequent boycott of last Sunday's San Marino Grand Prix.

Canadians Beat Swedes in Hockey

United Press International

HELSINKI — Wayne Gretzky shot three goals and claimed two assists as Team Canada beat Sweden, 6-0, Thursday to keep the Canadian hopes alive for a silver medal in the World Hockey Championships.

"This is the best Canadian team I have seen in years," said the Swedish coach, Anders Larsson. "It was a fair and clean game. Our boys were mentally and physically tired after nine games and could not shake the Canadians this time."

Later Thursday the Soviet Union and Czechoslovakia were to play the last game of the eight-nation tournament. A win or a tie for Czechoslovakia would put them in second place ahead of Canada. The Soviet Union already clinched its 18th title, while Sweden remains in fourth place.

Raiders Get Pruitt From the Browns

United Press International

CLEVELAND — The Cleveland Browns have sent running back Greg Pruitt to the Oakland Raiders for unspecified "future considerations," in the second of two trades this week between the National Football League teams.

Earlier, Lyle Alzado was swapped to the Raiders for an eighth-round draft choice. The Browns also sent inside linebacker Robert L. Jackson to the Denver Broncos for a sixth-round pick.

Coach Sam Rutigliano said the trades were made as part of a decision to go with younger players. Pruitt, a second-round draft choice in 1973, had three 1,000-yard seasons. Though a serious knee injury in 1979 nearly destroyed his ability as a rusher, he won several games in recent years as a pass receiver coming out of the backfield.

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Paging Kissinger

By Russell Baker

NEW YORK—Nobody knows how to get on with it anymore. Henry Kissinger, for example. For years people have been calling Kissinger "brilliant," and maybe he is, but if so why does his latest book of memoirs run for 1,283 pages?

If you're brilliant you ought to be able to get on with it, shouldn't you? I don't call it 1,283 pages getting on with it, especially since Kissinger's book covers only a year and a half of his career. His first volume, covering four years, was just as long, and there are more years to come. Many more.



Baker

Nowadays though, people don't apologize for being unable to turn themselves off. Inflicting tedium is the modern habit, and brilliant or not, Kissinger has been infected with it. Gibbon's "Decline and Fall of the Roman Empire" is my idea of a truly monumental book, a genuine soul crusher not to be undertaken until you have a year or two with nothing else to do. Checking my edition, I find that Gibbon covered more than 1,000 years of territory in 1,170 pages, or 113 fewer pages than it takes Kissinger to cover a year and a half.

I doubt there are a hundred people in the whole country right now who are reading "The Decline and Fall of the Roman Empire," and why should there be? There are only 24 hours in the day. Yet the book shops on Fifth Avenue are stocking the Kissinger memoir in warehouse lots, and it is selling by the ton.

Are all these buyers really going to read it?

The new idea is that if it doesn't take forever it can't be much good. The old notion that brevity is the essence of wit has succumbed to the modern idea that tedium is the essence of quality.

When television films a book it goes on and on until the audience is too groggy to beg for mercy. Not long ago we had the TV version of "Brideshead Revisited," a very good small book which could be read in two evenings.

It's the sort of book David O. Selznick used to condense into a

two-hour movie, on the humane assumption that life was too short to expect audiences to spend two nights of it in the Bijou watching a small show. On television it ran 12 hours and was drawn out over 11 weekly installments.

If Selznick had produced "Gone With the Wind" at this pace, you would have had to sit in the Bijou from the time Hitler invaded Poland until the election of Lyndon Johnson to see it all. It was considered remarkable that Selznick actually let it run 3 hours and 45 minutes, since few Americans were thought sufficiently torpid to spend that much of their lives on a single film.

You keep hearing how life is so much fuller and more complicated than it used to be and how nobody has enough time to keep up with it these days. If so, why do network news shows take 30 minutes every night to broadcast a collection of headlines we could absorb by scanning a front page in 20 seconds? For the same reason Kissinger takes 1,283 pages to deal with material Gibbon would have disposed of in three pages. Because nobody knows how to get on with it anymore, that's why.

One of the worst cases is the government's war division. Can you imagine any government of the present age getting itself in shape to win the Battle of Midway six months after Pearl Harbor and to land an army of invasion in North Africa five months later?

Nowadays, I suspect, we'd need at least a year just to decide how big a tax break to give corporations for converting to ship and tank construction, and another five years to find out why the ships and tanks weren't quite ready yet.

Meanwhile of course the government would be scolding the public for impatience, and reminding it that Rome was not built in a day, and telling it to remain hard-nosed toward the enemy, and show plenty of will, and be prepared for great tests of endurance.

I think the Japanese would set up shop in Detroit 40 years ahead of schedule. I think when Kissinger took 1,283 pages to Mitsubishi, Little & Brown, they would tell him, "Sorry, Professor, but we have never been interested in gas guzzlers."

New York Times Service

By McG Martin

International Herald Tribune

PARIS—In a few days "Raymond" will re-enter Fresnes prison in the suburbs of Paris, to retrace the steps that led him, as an intelligence operative for the Belgian underground during World War II, on multiple missions across Spain, France and Belgium. He headed a network of 1,750 agents until his capture by the Nazis in 1943.

"I was condemned to die five times," said "Raymond," who has since resumed his original identity as Gaston Vandermeersch. "This is my second life."

Today, Vandermeersch, a successful scientist and businessman living in the United States who was appointed honorary French consul to Milwaukee last fall, France awarded him two Croix de Guerre medals for his services during the war.

He bears little resemblance to the shadowy figure who secretly carried microfilm over the Pyrenees into Spain by night and made weekly runs north to the Dutch border hidden under the backseat of a rickety Peugeot.

His visit to Fresnes, where he was held by the Nazis, came midway through a two-week odyssey that will take him back to the desolate mountain wilderness near Andorra where he created a clandestine passage route into Spain; to the fortress in Perpignan, near the Spanish border, where he was held for three weeks as the Nazis tried to establish he was "Raymond"; to the Rhone valley near Châlons-sur-Saône, where he first crossed into unoccupied France; to his home town of Ghent, where, just after the outbreak of war, he distributed underground newspapers, and to Haaren, Holland, where he was reported to have been shot at dawn as one of 48 foreign agents found guilty of espionage against Hitler's Germany.

At Haaren on May 9, Vandermeersch will be reunited at a ceremony with three dozen former agents in the Hague on May 10, a date that recurs in Vandermeersch's life, he will have an audience at Stoudijk Royal Palace with Prince Bernhard of the Netherlands.

Interviewed by telephone at his home in a Milwaukee suburb last week, Vandermeersch, a genial, resident man of 60, said he was returning to Europe to recover long-forgotten details for a book he plans to write.

"Before the war I had read a book about the Dame Blanche, an intelligence network that worked during World War I. It left a mark on me."

"My memory is still sharp. In World War II, I was one of the leaders. I owe it to all the other agents to tell this story."

1940 WHEN the war reached Belgium in 1940, Gaston Vandermeersch was 19, a student of physics and mathematics at the University of Ghent. The German invasion caught neutral Belgium unprepared, and on May 10, radio messages instructed all Belgians to evacuate of 16 and 45 to head to southern

'Raymond': Retracing His Wartime Spy Trail

France to mobilize under the exiled Belgian command.

Gaston and six friends used four bicycles to do the 800-mile journey south—three of them riding on the handlebars—across a crash of frantic, fleeing Belgians. German planes strafed the refugees from overhead.

"It was just a debacle," he recalled. "We had no money, no food, nothing to drink." Finishing the journey as freeloaders on freight cars, the seven reached Toulouse, where they were sent to a commandeered castle at nearby L'Isle Arne.

Gaston was put in charge of a platoon of 150 men. He also met the camp commander's daughter, Violette, who became his wife after the war.

A month and a half later, the Germans issued orders for all Belgian and Dutch nationals who had left their homes to return or face penalties against their families.

They organized trains to take us back to the occupied zones. When we got there, the Germans received us very pleasantly, saying we would be better off with them. They had a good propaganda system, talking of a new order, unifying the world—it sounded perfect."

When he resumed his university studies, Vandermeersch found that "French was out, English was out and studying German was required." Jews were forced to wear yellow stars, and the first stories of deportation began filtering through. "We began thinking, where's our freedom?"

He toyed with the idea of joining the underground but was afraid to mention it to his family or friends. Finally, he confided in his mother, who provided cover for him when he went out distributing copies of the clandestine newspaper Librie Belge, stuffing them into mailboxes in defiance of the nighttime curfew.

"We faced the death penalty if we were caught with the papers, which was a good thing because it strengthened our nerves for what came later," he said.

By autumn of 1940, Vandermeersch was seeking passage to England. He never got there. In November, however, he was arrested for distributing the papers. A comrade who escaped managed to notify Vandermeersch's mother of the impending arrests. "I never said goodbye to my father or sister. I just left with a toothbrush," he recalled. After hiding for several days at the home of an elderly aunt, he crossed the French border in a truck, hidden among rolls of textiles.

He spent several months in the Tourcoing, a 48-hour cattle farm, where he worked in a café and trying to find someone to help him reach unoccupied France.

With a small group, he finally crossed over through a wooded area near Châlons-sur-Saône, under Nazi gunfire.

Reaching Toulouse, he was sheltered by the owners of the L'Isle Arne castle. He made contact with the Belgian mission—now cooperating no longer with Brussels, but with the free government in London. He was made a lieutenant, and was given his first mission: to find a route through the Pyrenees to the Belgian mission in Barcelona.

He had three weeks to learn Spanish before crossing the border as a Spaniard with a fake safe-conduct pass. "I never had a gun at that time," he recalled. "The principle was, your weapon is your brain."

Under his first assumed name, Pierre Duval, he was part of an intelligence network that ran microfilm of military documents from the northern occupied zones to the Belgian embassy in Barcelona for transport to London. He returned with funds and instructions for the network chiefs.

After several months as a courier in the Pyrenees, Vandermeersch, who had no previous military training, was named second mission from the Belgian central command: to create lines of evacuation for couriers from various underground networks throughout the occupied zones.

1943 BY MID-1942, Raymond was picked by the Belgian Special Operations Executive at the request of Queen Wilhelmina of the Netherlands, to organize the splintered Dutch underground.

He directed 1,750 agents in Holland, Belgium, France and Spain in this network, codenamed WIM after the queen. In May, 1943, neighbors of a man who was hiding him denounced him to the Germans for trafficking in black market butter. The "butter" was in fact packages of microfilm that Raymond had been checking on the eve of his first furlough to England in three weeks. Unwashed, he entered the U.S. on May 10, 1943, he was not to see freedom again until the end of the war.

The Germans had been seeking Raymond for some time, and at first were sure they had him. But Vandermeersch succeeded in concealing his identity through three days of beatings and interrogation, three weeks in the filthy fortress-prison at Perpignan and six months in jail in Fresnes. There, he suggested to his captors that he was a Dutch agent, who had known him in the WIM network, but who also worked for the Gestapo, saw him in a prison hallway and identified him.

PEOPLE: Stones to Mix Soccer With European Tour

The Rolling Stones will make a nine-nation European tour that will include performances in Spain during the World Cup soccer finals in June and early July. The tour will begin in Rotterdam on June 4, after which the group will play in Italy, Sweden, France, West Germany, Austria, Britain, Ireland and Spain.

"We will be in Spain during the World Cup because we must see some football," said singer Mick Jagger. The Stones' tour, which will include performances in Spain during the World Cup soccer finals in June and early July. The tour will begin in Rotterdam on June 4, after which the group will play in Italy, Sweden, France, West Germany, Austria, Britain, Ireland and Spain.

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More than 46,000 well-wishers waving small Japanese flags flocked to the Imperial Palace in Tokyo Thursday to celebrate the 81st birthday of Emperor Hirohito, the world's longest reigning monarch. Appearing on videotape with members of the imperial family, the slight, silver-haired Hirohito waved and said, "Thank you all for your kind greetings on my birthday. I am happy that so many of you came today. I hope continued happiness for you all." Hirohito became emperor on Christmas Day, 1926 at the age of 24 and was formally enthroned two years later. His 55-year reign is the longest in the history of the 2,600-year Chrysanthemum Throne, and he is the only emperor to have reigned past the age of 80.

Cleo Laine and John Dankworth, currently finishing up an Australian tour, will receive honorary degrees in music from Boston's Berklee School of Music on May 15.

Robert Redford pleaded guilty, through lawyers, to speeding in Bedford, N.Y., and was fined \$25. Redford had been on his way to see a man about a horse—he was visiting Paul Newman's horse farm in nearby North Salem, about 30 miles from New York City—when he was cited.

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